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INDIANOLA SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

INDIANOLA SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



Parker & Associates

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Indianola School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indianola School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Indianola 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 Indianola School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 39-45 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 Indianola School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of the Indianola 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 Indianola School District's internal control over financial reporting and compliance.

Parker & Associates, PLLC
Jackson, Mississippi
January 13, 2014

Parker & Associates

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Indianola 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 \$1,782,572, including a prior period adjustment of (\$7,631), which represents a 13% increase from fiscal year 2012. Total net position for 2012 increased \$3,256,563, including a prior period adjustment of \$45,452, which represents a 30% increase from fiscal year 2011.
- General revenues amounted to \$14,240,401 and \$14,108,788, or 64% and 61% 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 \$7,907,083, or 36% of total revenues for 2013, and \$9,127,108, or 39% of total revenues for 2012.
- The District had \$20,357,281 and \$20,024,785 in expenses for fiscal years 2013 and 2012; only \$7,907,083 for 2013 and \$9,127,108 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,240,401 for 2013 and \$14,108,788 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$13,058,167 in revenues and \$11,985,585 in expenditures for 2013, and \$13,240,107 in revenues and \$10,922,183 in expenditures in 2012. The General Fund's fund balance increased by \$687,193, including a prior period adjustment of (\$7,631), from 2012 to 2013, and increased by \$1,788,353, including a prior period adjustment of \$19,486, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$366,590 for 2013 and increased by \$213,611 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$1,156,401 for 2013 and decreased by \$1,053,894 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,789 for 2013 and decreased by \$6,817 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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$15,792,524 as of June 30, 2013.

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

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 9,064,155	\$ 8,010,112	13.16 %
Restricted assets	27,656	126,235	(78.09) %
Capital assets, net	10,053,574	10,420,164	(3.52) %
Total assets	19,145,385	18,556,511	3.17 %
Current liabilities	150,498	187,795	(19.86) %
Long-term debt outstanding	3,202,363	4,358,764	(26.53) %
Total liabilities	3,352,861	4,546,559	(26.25) %
Net position:			
Net investment in capital assets	7,638,574	7,545,164	1.24 %
Restricted	1,923,257	1,617,689	18.89 %
Unrestricted	6,230,693	4,847,099	28.54 %
Total net position	\$ 15,792,524	\$ 14,009,952	12.72 %

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 \$366,590.
- The principal retirement of \$1,145,612 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 \$22,147,484 and \$23,235,896, respectively. The total cost of all programs and services was \$20,357,281 for 2013 and \$20,024,785 for 2012.

INDIANOLA 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

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 650,993	\$ 1,150,185	(43.40) %
Operating grants and contributions	7,256,090	7,976,923	(9.04) %
General revenues:			
Property taxes	3,576,245	3,007,885	18.90 %
Grants and contributions not restricted	9,995,582	10,620,851	(5.89) %
Investment earnings	38,974	132,360	(70.55) %
Sixteenth section sources	315,214	137,839	128.68 %
Other	314,386	209,853	49.81 %
Total revenues	22,147,484	23,235,896	(4.68) %
Expenses:			
Instruction	10,607,193	10,667,577	(0.57) %
Support services	8,176,644	7,858,093	4.05 %
Non-instructional	1,424,114	1,328,861	7.17 %
Sixteenth section	2,164	-	N/A %
Interest on long-term liabilities	147,166	170,254	(13.56) %
Total expenses	20,357,281	20,024,785	1.66 %
Increase (Decrease) in net position	1,790,203	3,211,111	(44.25) %
Net Position, July 1, as previously reported	14,009,952	10,753,389	30.28 %
Prior Period Adjustment	(7,631)	45,452	(116.79) %
Net Position, July 1, as restated	14,002,321	10,798,841	29.67 %
Net Position, June 30	\$ 15,792,524	\$ 14,009,952	12.72 %

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.

INDIANOLA 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	\$ 10,607,193	\$ 10,667,577	(0.57) %
Support services	8,176,644	7,858,093	4.05 %
Non-instructional	1,424,114	1,328,861	7.17 %
Sixteenth section	2,164	-	N/A %
Interest on long-term liabilities	147,166	170,254	(13.56) %
Total expenses	\$ 20,357,281	\$ 20,024,785	1.66 %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (7,621,028)	\$ (7,172,312)	6.26 %
Support services	(4,798,770)	(3,680,965)	30.37 %
Non-instructional	109,555	125,854	(12.95) %
Sixteenth section	7,211	-	N/A %
Interest on long-term liabilities	(147,166)	(170,254)	(13.56) %
Total net (expense) revenue	\$ (12,450,198)	\$ (10,897,677)	14.25 %

- Net cost of governmental activities (\$12,450,198 for 2013 and \$10,897,677 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$3,576,245 for 2013 and \$3,007,885 for 2012) and state and federal revenues (\$9,995,582 for 2013 and \$10,620,851 for 2012). In addition, there was \$315,214 and \$137,839 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$38,974 for 2013 and \$132,360 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 \$8,978,573, an increase of \$985,631, which includes a prior period adjustment of (\$7,631) and an increase in reserve for inventory of \$7,744. \$5,665,465, or 63%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,313,108, or 37%, is either non-spendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$687,193, which includes a prior period adjustment of (\$7,631). The fund balance of Other Governmental Funds showed an increase in the amount of \$298,438, which

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

includes an increase in reserve for inventory of \$7,744. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic Fund	no increase or decrease
ARRA School Improvement Fund	no increase or decrease
Carver ARRA SIG Grant Fund	no increase or decrease
Delta Health Alliance Grant 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. The District revised the budget to include grants in which funding was received subsequent to the approval of the original budget. Budget revisions during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$18,713,448, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$86,297 from 2012 due primarily to the purchase of various items of furniture and equipment. Total accumulated depreciation as of June 30, 2013, was \$8,659,874, and total depreciation expense for the year was \$470,707, resulting in total net capital assets of \$10,053,574.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 351,254	\$ 351,254	0.00 %
Buildings	8,556,188	8,829,119	(3.09) %
Building improvements	484,254	503,691	(3.86) %
Improvements other than buildings	38,151	38,151	0.00 %
Mobile equipment	238,347	281,051	(15.19) %
Furniture and equipment	385,380	416,898	(7.56) %
Total	<u>\$ 10,053,574</u>	<u>\$ 10,420,164</u>	(3.52) %

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

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

Debt Administration. At June 30, 2013, the District had \$3,202,363 in outstanding long-term debt, of which \$578,541 is due within one year. During the fiscal year, the District made principal payments totaling \$1,145,612 on outstanding long-term debt. The liability for compensated absences decreased \$10,789 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	June 30, 2013	June 30, 2012	Percentage Change
Limited obligation bonds payable	\$ 2,130,000	\$ 2,505,000	(14.97) %
Certificates of participation payable	285,000	370,000	(22.97) %
Shortfall notes payable	27,529	54,187	(49.20) %
Obligations under energy efficiency leases	675,055	734,009	(8.03) %
Other loans payable	-	600,000	(100.00) %
Compensated absences payable	84,779	95,568	(11.29) %
Total	\$ 3,202,363	\$ 4,358,764	(26.53) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Indianola School District, 702 Highway 82 East, Indianola, MS 38751.

FINANCIAL STATEMENTS

INDIANOLA SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,410,797
Due from other governments	1,631,296
Other receivables, net	81
Inventories	21,981
Restricted assets	27,656
Capital assets, non-depreciable:	
Land	351,254
Capital assets, net of accumulated depreciation:	
Buildings	8,556,188
Building improvements	484,254
Improvements other than buildings	38,151
Mobile equipment	238,347
Furniture and equipment	385,380
Total Assets	19,145,385
Liabilities	
Accounts payable and accrued liabilities	113,238
Interest payable on long-term liabilities	37,260
Long-term liabilities, due within one year:	
Capital related liabilities	485,000
Non-capital related liabilities	93,541
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,930,000
Non-capital related liabilities	693,822
Total Liabilities	3,352,861
Net Position	
Net investment in capital assets	7,638,574
Restricted for:	
Expendable:	
School-based activities	1,525,288
Debt service	321,438
Forestry improvements	7,380
Unemployment benefits	43,129
Non-expendable:	
Sixteenth section	26,022
Unrestricted	6,230,693
Total Net Position	\$ 15,792,524

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

INDIANOLA 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	\$ 10,607,193	\$ 364,566	\$ 2,621,599	\$ -	\$ (7,621,028)
Support services	8,176,644	148,876	3,228,998	-	(4,798,770)
Non-instructional	1,424,114	128,176	1,405,493	-	109,555
Sixteenth section	2,164	9,375	-	-	7,211
Interest on long-term liabilities	147,166	-	-	-	(147,166)
Total Governmental Activities	\$ 20,357,281	\$ 650,993	\$ 7,256,090	\$ -	\$ (12,450,198)

General Revenues:

Taxes:

General purpose levies	3,576,199
Debt purpose levies	46

Unrestricted grants and contributions:

State	9,552,347
Federal	443,235
Unrestricted investment earnings	38,974
Sixteenth section sources	315,214
Other	314,386

Total General Revenues	14,240,401
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Change in Net Position	1,790,203
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Net Position - Beginning, as previously reported	14,009,952
Prior Period Adjustments	(7,631)

Net Position - Beginning, as restated	14,002,321
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Net Position - Ending	\$ 15,792,524
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The notes to the financial statements are an integral part of this statement.

INDIANOLA SCHOOL DISTRICT
Governmental Funds

Exhibit C

Balance Sheet
June 30, 2013

	Major Funds							Total Governmental Funds
	General Fund	Title I Basic Fund	ARRA School Improvement Fund	Carver ARRA SIG Grant Fund	Delta Health Alliance Grant Fund	Other Governmental Funds		
Assets								
Cash and cash equivalents	\$ 5,669,131	\$ -	\$ -	\$ -	\$ -	\$ 1,767,817	\$ 7,436,948	
Cash with fiscal agents	-	-	-	-	-	1,505	1,505	
Due from other governments	231,640	303,067	164,542	230,858	196,321	502,873	1,629,301	
Other receivables, net	81	-	-	-	-	-	81	
Due from other funds	1,181,805	-	-	-	-	233	1,182,038	
Inventories	-	-	-	-	-	21,981	21,981	
Total assets	\$ 7,082,657	\$ 303,067	\$ 164,542	\$ 230,858	\$ 196,321	\$ 2,294,409	\$ 10,271,854	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 64,601	\$ 5,102	\$ -	\$ 7,131	\$ 15,165	\$ 21,239	\$ 113,238	
Due to other funds	-	297,965	164,542	223,727	181,156	312,653	1,180,043	
Total Liabilities	64,601	303,067	164,542	230,858	196,321	333,892	1,293,281	
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	21,981	21,981	
Permanent fund principal	-	-	-	-	-	26,022	26,022	
Restricted:								
Debt service	-	-	-	-	-	358,698	358,698	
Forestry improvement purposes	-	-	-	-	-	7,380	7,380	
Unemployment benefits	-	-	-	-	-	43,129	43,129	
Child Nutrition	-	-	-	-	-	476,773	476,773	
Sixteenth section interest	-	-	-	-	-	892,028	892,028	
Other purposes	-	-	-	-	-	134,506	134,506	
Assigned:								
Building improvements	1,289,532	-	-	-	-	-	1,289,532	
Activity funds	63,059	-	-	-	-	-	63,059	
Unassigned	5,665,465	-	-	-	-	-	5,665,465	
Total Fund Balances	7,018,056	-	-	-	-	1,960,517	8,978,573	
Total Liabilities and Fund Balances	\$ 7,082,657	\$ 303,067	\$ 164,542	\$ 230,858	\$ 196,321	\$ 2,294,409	\$ 10,271,854	

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

**INDIANOLA 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 **\$ 8,978,573**

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	\$	351,254	
Buildings		15,029,237	
Building improvements		671,916	
Improvements other than buildings		190,755	
Mobile equipment		1,001,790	
Furniture and equipment		1,468,496	
Accumulated depreciation		(8,659,874)	10,053,574

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Limited obligation bonds		(2,130,000)	
Notes payable		(27,529)	
Certificates of participation		(285,000)	
Lease obligations		(675,055)	
Compensated absences		(84,779)	
Accrued interest payable		(37,260)	(3,239,623)

Net Position of governmental activities		\$ 15,792,524
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The notes to the financial statements are an integral part of this statement.

INDIANOLA SCHOOL DISTRICT
Governmental Funds

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

Exhibit D

	Major Funds							Total Governmental Funds
	General Fund	Title I Basic Fund	ARRA School Improvement Fund	Carver ARRA SIG Grant Fund	Delta Health Alliance Grant Fund	Other Governmental Funds	Total Governmental Funds	
Revenues:								
Local sources	\$ 4,023,769	\$ -	\$ -	\$ -	\$ 278,880	\$ 260,110	\$ 4,562,759	
State sources	8,530,467	-	-	-	-	1,519,583	10,050,050	
Federal sources	503,931	1,612,099	922,738	1,275,695	-	2,887,159	7,201,622	
Sixteenth section sources	-	-	-	-	-	328,219	328,219	
Total Revenues	13,058,167	1,612,099	922,738	1,275,695	278,880	4,995,071	22,142,650	
Expenditures:								
Instruction	7,286,863	709,532	308,081	505,680	205,911	1,323,088	10,339,155	
Support services	4,698,722	565,458	577,576	717,381	50,589	1,493,624	8,103,350	
Noninstructional services	-	79,992	10,800	13,870	17,904	1,293,725	1,416,291	
Sixteenth section	-	-	-	-	-	2,164	2,164	
Debt service:								
Principal	-	-	-	-	-	1,145,612	1,145,612	
Interest	-	-	-	-	-	152,796	152,796	
Other	-	-	-	-	-	1,500	1,500	
Total Expenditures	11,985,585	1,354,982	896,457	1,236,931	274,404	5,412,509	21,160,868	
Excess (Deficiency) of Revenues over (under) Expenditures	1,072,582	257,117	26,281	38,764	4,476	(417,438)	981,782	
Other Financing Sources (Uses):								
Insurance recovery	4,834	-	-	-	-	-	4,834	
Sale of other property	27	-	-	-	-	-	27	
Operating transfers in	353,951	-	-	-	-	1,045,119	1,399,070	
Operating transfers out	(736,570)	(257,117)	(26,281)	(38,764)	(4,476)	(335,862)	(1,399,070)	
Other financing uses	-	-	-	-	-	(1,125)	(1,125)	
Total Other Financing Sources (Uses)	(377,758)	(257,117)	(26,281)	(38,764)	(4,476)	708,132	3,736	
Net Change in Fund Balances	694,824	-	-	-	-	290,694	985,518	
Fund Balances:								
July 1, 2012, as previously reported	6,330,863	-	-	-	-	1,662,079	7,992,942	
Prior period adjustments	(7,631)	-	-	-	-	-	(7,631)	
July 1, 2012, as restated	6,323,232	-	-	-	-	1,662,079	7,985,311	
Increase (Decrease) in reserve for inventory	-	-	-	-	-	7,744	7,744	
June 30, 2013	\$ 7,018,056	\$ -	\$ -	\$ -	\$ -	\$ 1,960,517	\$ 8,978,573	

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

**INDIANOLA 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 \$ 985,518

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	\$ 104,297	
Depreciation expense	<u>(470,707)</u>	(366,410)

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

(180)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	1,145,612	
Accrued interest payable	<u>7,130</u>	1,152,742

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	10,789	
Change in inventory reserve	<u>7,744</u>	18,533

Change in Net Position of governmental activities \$ 1,790,203

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

**INDIANOLA SCHOOL DISTRICT
Fiduciary Funds**

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

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 3,453	\$ 814,208
Other receivables	-	2
Total Assets	3,453	\$ 814,210
Liabilities		
Accounts payable and accrued liabilities	-	\$ 809,923
Due to other funds	-	1,995
Due to student clubs	-	2,292
Total Liabilities	-	\$ 814,210
Net Position		
Reserved for endowments	3,453	
Total Net Position	\$ 3,453	

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

**INDIANOLA SCHOOL DISTRICT
Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013**

Exhibit F

		Private-Purpose Trust Funds
Additions		
Interest on investments	\$	44
Contributions and donations from private sources		1,000
Total Additions		1,044
Deductions		
Scholarships awarded		7,500
Total Deductions		7,500
Change in Net Position		(6,456)
Net Position		
July 1, 2012		9,909
June 30, 2013	\$	3,453

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a

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

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I Basic Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

ARRA School Improvement Fund - This is a special revenue fund that accounts for federal funds received under the American Recovery and Reinvestment Act (ARRA), which provides additional funding to assist the District in improving the education and instruction of students.

Carver ARRA SIG Grant Fund - This is a special revenue fund that accounts for federal funds received under the American Recovery and Reinvestment Act (ARRA), which provides additional funding to assist the District in improving the education and instruction of students at the elementary level.

Delta Health Alliance Grant Fund - This is a special revenue fund that accounts for local funds received and expenditures incurred to improve the educational opportunities of Indianola students by providing the students and teachers with resources needed to help the students succeed in school.

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

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

The District's fiduciary funds include the following:

Scholarship Fund - This is a fund used to report a trust arrangement, other than those properly reported elsewhere, in which the principal and income benefit students through the awarding of scholarships.

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

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

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

Additionally, the school district reports the following fund types:

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

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences**

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

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

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

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

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

9. **Fund Balances**

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

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

Non-spendable fund balance includes items that cannot be spent. This includes activity

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

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. This formal action is a resolution approved by the School Board. 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 the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

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

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

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

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

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 \$7,436,948 and \$817,661, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$9,103,857 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,505.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Basic Fund	\$ 297,732
	ARRA School Improvement Fund	164,542
	Carver ARRA SIG Grant Fund	223,727
	Delta Health Alliance Grant Fund	181,156
	Other governmental funds	312,653
	Fiduciary funds	1,995
	Other governmental funds	Title I Basic Fund
Total		\$ 1,182,038

The inter-fund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

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

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 736,570
Title I Basic Fund	General Fund	56,765
	Other governmental funds	200,352
ARRA School Improvement Fund	General Fund	26,281
Carver ARRA SIG Grant Fund	General Fund	38,764
Delta Health Alliance Grant Fund	General Fund	4,476
Other governmental funds	General Fund	227,665
	Other governmental funds	108,197
Total		\$ 1,399,070

The transfers were primarily for the following: indirect cost transfers, debt service transfers, unemployment transfers, cost pool transfers, building improvement transfers, and the transfer of expendable resources from the sixteenth section principal fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$26,151 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$1,505 of the MAEP Limited Obligation Bond Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 351,254	\$	\$	\$ 351,254
Total non-depreciable capital assets	351,254	-	-	351,254
<u>Depreciable capital assets:</u>				
Buildings	15,029,237			15,029,237
Building improvements	671,916			671,916
Improvements other than buildings	190,755			190,755
Mobile equipment	1,001,790			1,001,790
Furniture and equipment	1,382,199	104,297	18,000	1,468,496
Total depreciable capital assets	18,275,897	104,297	18,000	18,362,194
<u>Less accumulated depreciation for:</u>				
Buildings	6,200,118	272,931		6,473,049
Building improvements	168,225	19,437		187,662
Improvements other than buildings	152,604			152,604
Mobile equipment	720,739	42,704		763,443
Furniture and equipment	965,301	135,635	17,820	1,083,116
Total accumulated depreciation	8,206,987	470,707	17,820	8,659,874
Total depreciable capital assets, net	10,068,910	(366,410)	180	9,702,320
Governmental activities capital assets, net	\$ 10,420,164	\$ (366,410)	\$ 180	\$ 10,053,574

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

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 313,875
Support services	113,704
Non-instructional	43,128
Total depreciation expense - Governmental activities	\$ 470,707

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,505,000	\$	\$ 375,000	\$ 2,130,000	\$ 395,000
B. Certificates of participation payable	370,000		85,000	285,000	90,000
C. Shortfall notes payable	54,187		26,658	27,529	27,529
D. Obligations under energy efficiency leases	734,009		58,954	675,055	61,773
E. Other loans payable	600,000		600,000	-	-
F. Compensated absences payable	95,568		10,789	84,779	4,239
Total	\$ 4,358,764	\$ -	\$ 1,156,401	\$ 3,202,363	\$ 578,541

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2007	4.6%-4.75%	3/1/2007	3/1/2018	\$ 3,910,000	\$ 2,130,000
Total				\$ 3,910,000	\$ 2,130,000

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 395,000	\$ 81,729	\$ 476,729
2015	410,000	66,719	476,719
2016	425,000	51,016	476,016
2017	440,000	34,696	474,696
2018	460,000	17,756	477,756
Total	\$ 2,130,000	\$ 251,916	\$ 2,381,916

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. This debt will be retired from the MAEP Bond Debt Service Fund.

B. Certificates of participation payable

As more fully explained in Note 12, 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
\$1,200,000 Promissory Note	6.00%	8/1/1996	8/1/2015	\$ 1,200,000	\$ 285,000
Total				\$ 1,200,000	\$ 285,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 90,000	\$ 14,700	\$ 104,700
2015	95,000	9,034	104,034
2016	100,000	3,063	103,063
Total	\$ 285,000	\$ 26,797	\$ 311,797

This debt will be retired from the Debt Service Building and Buses Pledge Fund. The District has pledged its EEF - Building and Buses funds, in the amount of \$105,059, annually for a 20 year period beginning in 1995-1996 school year and concluding 2015-2016 school year. Funds were used to build a Vocational Building. The amount pledged includes principal and interest. The amount received in the most current years has been equivalent to the annual debt payment.

C. Shortfall notes payable

Debt currently outstanding is as follows:

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Notes Payable,					
Series 2011	3.27%	7/19/2011	6/29/2014	\$ 80,000	\$ 27,529
Total				<u>\$ 80,000</u>	<u>\$ 27,529</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 27,529	\$ 900	\$ 28,429
Total	<u>\$ 27,529</u>	<u>\$ 900</u>	<u>\$ 28,429</u>

This debt will be retired from the Shortfall Note Series 2011 Debt Service Fund.

D. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease	4.68%	8/14/2007	6/1/2022	\$ 1,000,226	\$ 675,055
Total				<u>\$ 1,000,226</u>	<u>\$ 675,055</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 61,773	\$ 32,279	\$ 94,052
2015	64,727	29,325	94,052
2016	67,822	26,230	94,052
2017	71,065	22,987	94,052
2018	74,463	19,589	94,052
2019 – 2022	335,205	41,007	376,212
Total	<u>\$ 675,055</u>	<u>\$ 171,417</u>	<u>\$ 846,472</u>

An energy efficiency lease agreement dated August 14, 2007, was executed by and between the district, the lessee, and Sun Trust Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$1,000,226 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the Energy Lease Debt Service Fund and not exceed fifteen (15) years.

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

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

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

E. Other loans payable

On March 20, 2009, the school district's board approved the request submitted to the Governor to declare a state of emergency related to serious concerns regarding financial resources of the Indianola School District. The board approved the \$1.8 million loan from the School District Emergency Assistance Fund to the Indianola School District. This is a loan from the state that is not to be paid back until 5 years after the school district reaches solvency. The district made the first payment of \$600,000 in fiscal year 2011, the second payment of \$600,000 in fiscal year 2012, and the final payment of \$600,000 in fiscal year 2013. Therefore, the balance outstanding at June 30, 2013 is \$0. This debt was retired from the School Emergency Assistance Debt Service Fund.

F. 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 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,468,657, \$1,272,171 and \$1,148,710, respectively, which equaled the required contributions for each year.

Note 8 – 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.

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

Year Ending June 30	Amount
2014	\$ 262,089
2015	225,000
2016	200,000
2017	200,000
Total	<u>\$ 887,089</u>

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To correct for recording of prior year expenditure in governmental funds	\$ (7,631)
Total	<u>\$ (7,631)</u>

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

Fund	Explanation	Amount
General Fund	To correct for recording of prior year expenditure	\$ (7,631)
Total		<u>\$ (7,631)</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.

INDIANOLA 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 – Trust Certificates

A trust agreement dated August 1, 1996, was executed by and between the school district and Planters Bank & Trust Company, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,200,000. \$1,200,000 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, fund balances, revenues, expenditures and other financing sources/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 13 - Insurance loss recoveries

The Indianola School District received \$4,834 in insurance loss recoveries related to damages during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

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

Note 14 - Subsequent Events

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Indianola School District evaluated the activity of the district through January 13, 2014, and determined that there were no subsequent events that should be noted in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

INDIANOLA 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	\$ 3,964,669	\$ 3,998,411	\$ 4,023,769	\$ 33,742	\$ 25,358
State sources	8,023,847	7,962,194	8,530,467	(61,653)	568,273
Federal sources	535,725	532,553	503,931	(3,172)	(28,622)
Total Revenues	12,524,241	12,493,158	13,058,167	(31,083)	565,009
Expenditures:					
Instruction	7,882,948	7,908,884	7,286,863	(25,936)	622,021
Support services	5,435,441	5,356,725	4,698,722	78,716	658,003
Total Expenditures	13,318,389	13,265,609	11,985,585	52,780	1,280,024
Excess (Deficiency) of Revenues over (under) Expenditures	(794,148)	(772,451)	1,072,582	21,697	1,845,033
Other Financing Sources (Uses):					
Insurance recovery	-	-	4,834	-	4,834
Sale of other property	-	-	27	-	27
Operating transfers in	815,313	790,505	353,951	(24,808)	(436,554)
Operating transfers out	(1,293,982)	(1,307,418)	(736,570)	(13,436)	570,848
Total Other Financing Sources (Uses)	(478,669)	(516,913)	(377,758)	(38,244)	139,155
Net Change in Fund Balances	(1,272,817)	(1,289,364)	694,824	(16,547)	1,984,188
Fund Balances:					
July 1, 2012, as previously reported	5,536,525	6,264,525	6,330,863	728,000	66,338
Prior period adjustments	-	(7,631)	(7,631)	(7,631)	-
July 1, 2012, as restated	5,536,525	6,256,894	6,323,232	720,369	66,338
June 30, 2013	\$ 4,263,708	\$ 4,967,530	\$ 7,018,056	\$ 703,822	\$ 2,050,526

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

INDIANOLA SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,714,454	\$ 1,759,782	\$ 1,612,099	\$ 45,328	\$ (147,683)
Total Revenues	1,714,454	1,759,782	1,612,099	45,328	(147,683)
Expenditures:					
Instruction	793,568	742,914	709,532	50,654	33,382
Support services	494,375	615,775	565,458	(121,400)	50,317
Noninstructional services	86,594	89,379	79,992	(2,785)	9,387
Total Expenditures	1,374,537	1,448,068	1,354,982	(73,531)	93,086
Excess (Deficiency) of Revenues over (under) Expenditures	339,917	311,714	257,117	(28,203)	(54,597)
Other Financing Sources (Uses):					
Operating transfers out	(339,917)	(311,714)	(257,117)	28,203	54,597
Total Other Financing Sources (Uses)	(339,917)	(311,714)	(257,117)	28,203	54,597
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.

INDIANOLA SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
ARRA School Improvement 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	\$ 1,011,404	\$ 1,065,707	\$ 922,738	\$ 54,303	\$ (142,969)
Total Revenues	1,011,404	1,065,707	922,738	54,303	(142,969)
Expenditures:					
Instruction	451,021	404,509	308,081	46,512	96,428
Support services	526,936	619,263	577,576	(92,327)	41,687
Noninstructional services	2,000	12,500	10,800	(10,500)	1,700
Total Expenditures	979,957	1,036,272	896,457	(56,315)	139,815
 Excess (Deficiency) of Revenues over (under) Expenditures	 31,447	 29,435	 26,281	 (2,012)	 (3,154)
 Other Financing Sources (Uses):					
Operating transfers out	(31,447)	(29,435)	(26,281)	2,012	3,154
Total Other Financing Sources (Uses)	(31,447)	(29,435)	(26,281)	2,012	3,154
 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.

INDIANOLA SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Carver ARRA SIG Grant 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	\$ 1,334,337	\$ 1,457,376	\$ 1,275,695	\$ 123,039	\$ (181,681)
Total Revenues	1,334,337	1,457,376	1,275,695	123,039	(181,681)
Expenditures:					
Instruction	548,707	662,671	505,680	(113,964)	156,991
Support services	725,437	740,329	717,381	(14,892)	22,948
Noninstructional services	14,200	13,876	13,870	324	6
Total Expenditures	1,288,344	1,416,876	1,236,931	(128,532)	179,945
Excess (Deficiency) of Revenues over (under) Expenditures	45,993	40,500	38,764	(5,493)	(1,736)
Other Financing Sources (Uses):					
Operating transfers out	(45,993)	(40,500)	(38,764)	5,493	1,736
Total Other Financing Sources (Uses)	(45,993)	(40,500)	(38,764)	5,493	1,736
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.

INDIANOLA SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Delta Health Alliance Grant 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	\$ -	\$ 411,327	\$ 278,880	\$ 411,327	\$ (132,447)
Total Revenues	-	411,327	278,880	411,327	(132,447)
Expenditures:					
Instruction	-	276,422	205,911	(276,422)	70,511
Support services	-	100,514	50,589	(100,514)	49,925
Noninstructional services	-	27,391	17,904	(27,391)	9,487
Total Expenditures	-	404,327	274,404	(404,327)	129,923
Excess (Deficiency) of Revenues over (under) Expenditures	-	7,000	4,476	7,000	(2,524)
Other Financing Sources (Uses):					
Operating transfers out	-	(7,000)	(4,476)	(7,000)	2,524
Total Other Financing Sources (Uses)	-	(7,000)	(4,476)	(7,000)	2,524
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.

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

**INDIANOLA SCHOOL DISTRICT
Supplemental 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	\$ 323,584
National school lunch program	10.555	1,021,378
Total child nutrition cluster		1,344,962
Total passed-through Mississippi Department of Education		1,344,962
Total U.S. Department of Agriculture		1,344,962
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	60,696
Total U.S. Department of Defense		60,696
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	435,364
Total Federal Communications Commission		435,364
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,787,367
Career and Technical Education - Basic Grants to States	84.048	69,797
Rehabilitation services_vocational rehabilitation grants to states	84.126	1,456
Twenty-First Century Community Learning Centers	84.287	188,446
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	15,550
Rural education	84.358	51,020
Improving Teacher Quality State Grants	84.367	293,475
ARRA- School Improvement Grants, Recovery Act	84.388	2,198,433
Subtotal		4,605,544
Special education cluster:		
Special education - grants to states	84.027	705,344
Special education - preschool grants	84.173	16,757
Total special education cluster		722,101
Total passed-through Mississippi Department of Education		5,327,645
Total U.S. Department of Education		5,327,645
<u>Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.118	6,415
Total passed-through Mississippi Department of Education		6,415
Total Department of Health and Human Services		6,415
Total for All Federal Awards		\$ 7,175,082

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.

INDIANOLA SCHOOL DISTRICT
Supplemental Information

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,068,025	10,473,722	968,156	1,015,048	1,611,099
Other	7,092,843	2,923,900	329,986	12,390	3,826,567
Total	\$ 21,160,868	13,397,622	1,298,142	1,027,438	5,437,666
Total number of students *	2,002				
Cost per student	\$ 10,570	6,693	648	513	2,716

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

INDIANOLA 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	\$ 4,023,769	\$ 3,566,194	\$ 3,335,769	\$ 2,744,577
State sources	8,530,467	9,270,267	8,725,800	9,253,839
Federal sources	503,931	403,646	279,247	271,265
Total Revenues	13,058,167	13,240,107	12,340,816	12,269,681
Expenditures:				
Instruction	7,286,863	6,872,781	5,669,359	6,539,699
Support services	4,698,722	4,049,402	4,078,519	4,622,892
Total Expenditures	11,985,585	10,922,183	9,747,878	11,162,591
Excess (Deficiency) of Revenues over (under) Expenditures	1,072,582	2,317,924	2,592,938	1,107,090
Other Financing Sources (Uses):				
Bonds and notes issued		80,000		
Insurance recovery	4,834	6,015	138,365	4,009
Sale of transportation equipment		6,425		
Sale of other property	27	601		
Operating transfers in	353,951	268,910	292,292	217,345
Operating transfers out	(736,570)	(911,008)	(753,557)	(376,708)
Other financing uses			(71,227)	(44,417)
Total Other Financing Sources (Uses)	(377,758)	(549,057)	(394,127)	(199,771)
Net Change in Fund Balances	694,824	1,768,867	2,198,811	907,319
Fund Balances:				
Beginning of period, as originally reported	6,330,863	4,542,510	2,372,082	1,680,513
Prior period adjustments	(7,631)	19,486	(28,383)	(215,750)
Beginning of period, as restated	6,323,232	4,561,996	2,343,699	1,464,763
End of Period	\$ 7,018,056	6,330,863	\$ 4,542,510	\$ 2,372,082

*SOURCE - PRIOR YEAR AUDIT REPORTS

INDIANOLA 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	\$ 4,562,759	\$ 4,132,534	\$ 3,585,786	\$ 3,000,802
State sources	10,050,050	10,782,635	10,147,502	10,627,516
Federal sources	7,201,622	7,815,136	7,999,587	5,892,587
Sixteenth section sources	328,219	148,177	143,947	134,273
Total Revenues	22,142,650	22,878,482	21,876,822	19,655,178
Expenditures:				
Instruction	10,339,155	10,419,117	9,292,915	9,595,340
Support services	8,103,350	7,813,721	7,417,805	6,895,822
Noninstructional services	1,416,291	1,329,325	1,384,667	1,419,513
Sixteenth section	2,164		477	170
Facilities acquisition and construction		485,931		
Debt service:				
Principal	1,145,612	1,127,077	1,083,696	461,246
Interest	152,796	175,034	192,975	212,547
Other	1,500	2,050	2,085	550
Total Expenditures	21,160,868	21,352,255	19,374,620	18,585,188
Excess (Deficiency) of Revenues over (under) Expenditures	981,782	1,526,227	2,502,202	1,069,990
Other Financing Sources (Uses):				
Bonds and notes issued		80,000		
Insurance recovery	4,834	357,414	138,365	4,009
Sale of transportation equipment		6,425	3,955	
Sale of other property	27	646		
Operating transfers in	1,399,070	1,429,852	1,151,014	699,427
Operating transfers out	(1,399,070)	(1,429,852)	(1,151,014)	(699,427)
Other financing uses	(1,125)		(364,969)	(44,417)
Total Other Financing Sources (Uses)	3,736	444,485	(222,649)	(40,408)
Net Change in Fund Balances	985,518	1,970,712	2,279,553	1,029,582
Fund Balances:				
Beginning of period, as originally reported	7,992,942	6,010,714	3,715,620	3,000,495
Prior period adjustments	(7,631)	8,705	25,885	(315,009)
Beginning of period, as restated	7,985,311	6,019,419	3,741,505	2,685,486
Increase (Decrease) in reserve for inventory	7,744	2,811	(10,344)	552
End of Period	\$ 8,978,573	\$ 7,992,942	\$ 6,010,714	\$ 3,715,620

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



Parker & Associates

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY COMPANY

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
Indianola School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Indianola School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Indianola School District's basic financial statements, and have issued our report thereon dated January 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indianola 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 Indianola School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Indianola 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 Indianola 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*.

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.

Parker & Associates

Parker & Associates, PLLC
Jackson, Mississippi
January 13, 2014



Parker & Associates

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

Superintendent and School Board
Indianola School District

Report on Compliance for Each Major Federal Program

We have audited Indianola 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 Indianola School District's major federal programs for the year ended June 30, 2013. Indianola 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 Indianola 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 Indianola 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 Indianola School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Indianola 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

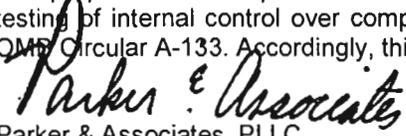
Management of Indianola School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and

performing our audit of compliance, we considered Indianola 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 Indianola 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.


Parker & Associates, PLLC
Jackson, Mississippi
January 13, 2014

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



Parker & Associates

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY COMPANY

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

Superintendent and School Board
Indianola School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indianola School District as of and for the year ended June 30, 2013, which collectively comprise Indianola School District's basic financial statements and have issued our report thereon dated January 13, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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 \$6,505 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 and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Parker & Associates, PLLC
Jackson, Mississippi
January 13, 2014

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PARKER & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.377; 84.388	SIG Cluster
32.XXX	E-rate

- | | | |
|-----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section___.315(b) of OMB Circular A-133. | No |

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

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.