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KOSCIUSKO SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

Charles L. Shivers, CPA
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Kosciusko School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kosciusko School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Kosciusko 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Kosciusko 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.

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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 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kosciusko School District's 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), 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, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic 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 my 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, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2013, on my consideration of the Kosciusko School District's internal control over financial reporting and on my 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 my 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 Kosciusko School District's internal control over financial reporting and compliance.

Charles L. Shivers, CPA

Ridgeland, MS
November 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of Kosciusko 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 $582,938 which represents a 3% increase from fiscal year 2012. Total net position for 2012 increased $1,542,470, including a prior period adjustment of ($3,874), which represents a 7% increase from fiscal year 2011.

- General revenues amounted to $15,315,768 and $14,697,804, or 82% and 82% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,281,141, or 18% of total revenues for 2013, and $3,320,609, or 18% of total revenues for 2012.

- The District had $18,013,971 and $16,472,069 in expenses for fiscal years 2013 and 2012; only $3,281,141 for 2013 and $3,320,609 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $15,315,768 for 2013 and $14,697,804 for 2012 were adequate to provide for these programs.

- Among major funds, the General Fund had $15,027,548 in revenues and $13,597,521 in expenditures for 2013, and $14,438,860 in revenues and $12,824,799 in expenditures in 2012. The General Fund's fund balance increased by $388,868 from 2012 to 2013, and increased by $1,553,675, including a prior period adjustment of ($3,874) from 2011 to 2012.

- Capital assets, net of accumulated depreciation, decreased by $342,343 for 2013 and decreased by $96,987 for 2012. The decrease for 2013 was due to the additions and disposals of assets coupled with the increase in accumulated depreciation.

- Long-term debt decreased by $458,636 for 2013 and decreased by $370,030 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by $6,364 for 2013 and decreased by $59 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $23,552,929 as of June 30, 2013.

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	$ 12,543,429	$ 11,818,470	6.13 %
Restricted assets	1,455,103	1,715,538	-15.18 %
Capital assets, net	13,012,476	13,354,819	-2.56 %
Total assets	**27,011,008**	**26,888,827**	**0.45 %**
Current liabilities	41,685	43,806	-4.84 %
Long-term debt outstanding	3,416,394	3,875,030	-11.84 %
Total liabilities	**3,458,079**	**3,918,836**	**-11.76 %**
Net position:			
Net investment in capital assets	11,542,476	11,419,819	1.07 %
Restricted	2,727,675	2,205,618	23.67 %
Unrestricted	9,282,778	9,344,554	-0.66 %
Total net position	**$ 23,552,929**	**$ 22,969,991**	**2.54 %**

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 $342,343.
- The principal retirement of $465,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were $18,596,909 and $18,018,413, respectively. The total cost of all programs and services was $18,013,971 for 2013 and $16,472,069 for 2012.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 659,927	$ 627,236	5.21 %
Operating grants and contributions	2,621,214	2,693,373	(2.68) %
General revenues:			
Property taxes	4,340,919	4,066,203	6.76 %
Grants and contributions not restricted	10,763,003	10,353,076	3.96 %
Investment earnings	11,969	53,656	(77.69) %
Sixteenth section sources	198,621	220,543	(9.94) %
Other	1,256	4,326	(70.97) %
Total revenues	**18,596,909**	**18,018,413**	**3.21 %**
Expenses:			
Instruction	9,980,551	9,808,407	1.76 %
Support services	6,553,339	5,430,590	20.67 %
Non-instructional	1,263,075	1,152,424	9.60 %
Sixteenth section	74,387	21,574	244.80 %
Interest on long-term liabilities	142,619	59,074	141.42 %
Total expenses	**18,013,971**	**16,472,069**	**9.36 %**
Increase (Decrease) in net position	**582,938**	**1,546,344**	**(62.30) %**
Net Position, July 1, as previously reported	**22,969,991**	**21,427,521**	7.20 %
Prior Period Adjustment	**0**	**(3,874)**	100.00 %
Net Position, July 1, as restated	**22,969,991**	**21,423,647**	**7.22 %**
Net Position, June 30	**$ 23,552,929**	**$ 22,969,991**	**2.54 %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses 2013	Total Expenses 2012	Percentage Change
Instruction	$ 9,980,551	$ 9,808,407	1.76 %
Support services	6,553,339	5,430,590	20.67 %
Non-instructional	1,263,075	1,152,424	9.60 %
Sixteenth section	74,387	21,574	244.80 %
Interest on long-term liabilities	142,619	59,074	141.42 %
Total expenses	**$ 18,013,971**	**$ 16,472,069**	**9.36 %**

	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	$ (8,790,133)	$ (8,553,347)	2.77 %
Support services	(5,848,406)	(4,700,904)	24.41 %
Non-instructional	122,715	183,439	(33.10) %
Sixteenth section	(74,387)	(21,574)	244.80 %
Interest on long-term liabilities	(142,619)	(59,074)	141.42 %
Total net (expense) revenue	**$ (14,732,830)**	**$ (13,151,460)**	**12.02 %**

- Net cost of governmental activities ($14,732,830 for 2013 and $13,151,460 for 2012) was financed by general revenue, which is primarily made up of property taxes ($4,340,919 for 2013 and $4,066,203 for 2012) and state and federal revenues ($10,763,003 for 2013 and $10,353,076 for 2012). In addition, there was $198,621 and $220,543 in Sixteenth Section sources for 2013 and 2012, respectively.

- Investment earnings amounted to $11,969 for 2013 and $53,656 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $13,975,556, an increase of $464,306, which includes an increase in inventory of $61. $10,084,105 or 72% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $3,891,451 or 28% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $388,868. The fund balance of Other Governmental Funds showed an increase in the amount of $75,438, which includes an increase in reserve for inventory of $61. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Basic Fund	no increase or decrease
IDEA Part B Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were $19,870,490, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of $166,915 from 2012. Total accumulated depreciation as of June 30, 2013, was $6,858,014, and total depreciation expense for the year was $514,657, resulting in total net capital assets of $13,012,476.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	$ 402,877	$ 393,491	2.39 %
Buildings	11,741,811	12,070,651	(2.72) %
Building improvements	211,625	256,259	(17.42) %
Mobile equipment	524,217	524,698	(0.09) %
Furniture and equipment	131,946	109,720	20.26 %
Total	**$ 13,012,476**	**$ 13,354,819**	**(2.56) %**

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

Debt Administration. At June 30, 2013, the District had $3,416,394 in outstanding long-term debt, of which $487,712 is due within one year. The liability for compensated absences increased $6,364 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
General obligation refunding bonds payable	$ 195,000	$ 385,000	(49.35) %
Limited obligation refunding bonds payable	1,275,000	1,550,000	(17.74) %
Qualified school construction bonds payable	1,850,000	1,850,000	0.00 %
Compensated absences payable	96,394	90,030	7.07 %
Total	**$ 3,416,394**	**$ 3,875,030**	**(11.84) %**

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

CURRENT ISSUES

The Kosciusko 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 Kosciusko School District, 229 West Washington Street, Kosciusko, MS 39090.

BASIC FINANCIAL STATEMENTS

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Kosciusko School District
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 12,048,949
Due from other governments	465,332
Other receivables, net	10,000
Inventories	19,148
Restricted assets (Note 4)	1,455,103
Non-depreciable capital assets (Note 5)	402,877
Depreciable capital assets, net (Note 5)	12,609,599
Total Assets	27,011,008
Liabilities	
Accounts payable and accrued liabilities	22,976
Interest payable on long-term liabilities	18,709
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	480,000
Non-capital related liabilities	7,712
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	990,000
Non-capital related liabilities	1,938,682
Total Liabilities	3,458,079
Net Position	
Net investment in capital assets	11,542,476
Restricted net position	
Expendable	
School-based activities	514,937
Debt service	891,442
Contractual commitments	922,863
Forestry improvements	98,473
Unemployment benefits	56,605
Non-expendable	
Sixteenth section	243,355
Unrestricted	9,282,778
Total Net Position	$ 23,552,929

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

Kosciusko School District
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 9,980,551	367,694	822,724	(8,790,133)
Support services	6,553,339		704,933	(5,848,406)
Non-instructional	1,263,075	292,233	1,093,557	122,715
Sixteenth section	74,387			(74,387)
Interest on long-term liabilities	142,619			(142,619)
Total Governmental Activities	18,013,971	659,927	2,621,214	(14,732,830)
General Revenues				
Taxes				
General purpose levies				4,127,089
Debt purpose levies				213,830
Unrestricted grants and contributions				
State				10,566,788
Federal				196,215
Unrestricted investment earnings				11,969
Sixteenth section sources				198,621
Other				1,256
Total General Revenues				15,315,768
Changes in Net Position				582,938
Net Position - Beginning				22,969,991
Net Position - Ending				$ 23,552,929

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

Kosciusko School District
Balance Sheet - Governmental Funds
June 30, 2013

Exhibit C

	Major Funds				
	General Fund	Title I Basic Fund	IDEA Part B Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 2)	$ 10,261,632			2,728,039	12,989,671
Investments (Note 2)				514,381	514,381
Due from other governments	166,877	89,300	38,101	171,054	465,332
Due from other funds (Note 3)	137,851				137,851
Inventories				19,148	19,148
Total Assets	10,566,360	89,300	38,101	3,432,622	14,126,383
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	22,949			27	22,976
Due to other funds (Note 3)		89,300	38,101	450	127,851
Total Liabilities	22,949	89,300	38,101	477	150,827
Fund Balances					
Nonspendable					
Inventory				19,148	19,148
Permanent fund principal				243,355	243,355
Restricted					
Debt service				910,151	910,151
Forestry improvements				98,473	98,473
Unemployment benefits				56,605	56,605
Grant activities				495,789	495,789
Contractual commitments	37,589			885,274	922,863
Assigned					
School activities	38,351				38,351
Alternative school	383,366				383,366
Facility improvements				723,043	723,043
Other purposes				307	307
Unassigned	10,084,105				10,084,105
Total Fund Balances	10,543,411	0	0	3,432,145	13,975,556
Total Liabilities and Fund Balances	$ 10,566,360	89,300	38,101	3,432,622	14,126,383

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

Kosciusko School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

Exhibit C-1

		Amount
Total Fund Balance - Governmental Funds		$ 13,975,556
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	402,877	
Buildings	16,492,755	
Building improvements	345,527	
Mobile equipment	1,997,953	
Furniture and equipment	631,378	
Accumulated depreciation	(6,858,014)	13,012,476
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation refunding bonds	(195,000)	
Limited obligations refunding bonds	(1,275,000)	
Qualified school construction bonds	(1,850,000)	
Compensated absences	(96,394)	
Accrued interest payable	(18,709)	(3,435,103)
Total Net Position - Governmental Activities		$ 23,552,929

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

Kosciusko School District

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2013

	Major Funds				
	General Fund	Title I Basic Fund	IDEA Part B Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 4,503,818			509,907	5,013,725
State sources	10,242,386			474,716	10,717,102
Federal sources	101,310	634,616	521,252	1,409,027	2,666,205
Sixteenth section sources	180,034			18,587	198,621
Total Revenues	15,027,548	634,616	521,252	2,412,237	18,595,653
Expenditures					
Instruction	8,722,565	456,696	183,360	348,339	9,710,960
Support services	4,659,909	149,236	337,668	1,335,370	6,482,183
Noninstructional services	1,843	19,804	224	1,223,919	1,245,790
Sixteenth section	65,859			8,528	74,387
Facilities acquisition and construction	9,386				9,386
Debt service					
Principal (Note 6)	118,766			346,234	465,000
Interest	18,193			123,865	142,058
Other	1,000			1,900	2,900
Total Expenditures	13,597,521	625,736	521,252	3,388,155	18,132,664
Excess (Deficiency) of Revenues Over Expenditures	1,430,027	8,880	0	(975,918)	462,989
Other Financing Sources (Uses)					
Insurances loss recoveries	1,256				1,256
Operating transfers in (Note 3)	33,880			1,459,247	1,493,127
Operating transfers out (Note 3)	(1,076,295)	(8,880)		(407,952)	(1,493,127)
Total Other Financing Sources (Uses)	(1,041,159)	(8,880)	0	1,051,295	1,256
Net Change in Fund Balances	388,868	0	0	75,377	464,245
Fund Balances					
July 1, 2012	10,154,543	0	0	3,356,707	13,511,250
Increase in reserve for inventory				61	61
June 30, 2013	$ 10,543,411	0	0	3,432,145	13,975,556

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

Kosciusko School District
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

		Amount
Net Change in Fund Balance - Governmental Funds		$ 464,245
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	172,914	
Depreciation expense	(514,657)	(341,743)
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		(600)
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 cost, 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	465,000	
Accrued interest payable	2,339	467,339
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 the governmental funds. These activities include:		
Change in compensated absences	(6,364)	
Change in inventory reserve	61	(6,303)
Changes in Net Position of Governmental Activities		$ 582,938

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

Kosciusko School District
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents (Note 2)	$ 668,491
Total Assets	668,491
Liabilities	
Accounts payable and accrued liabilities	609,741
Due to other funds (Note 3)	10,000
Due to student clubs	48,750
Total Liabilities	$ 668,491

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

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

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

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

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

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

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

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

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

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

The school district reports the following major governmental funds:

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

Title I Basic Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with educationally deprived children.

IDEA Part B Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

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

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60

days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

Ad valorem property taxes are levied by the governing authority of the 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. Assets, liabilities and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the

State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

8. Compensated Absences

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

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

9. Long-term Liabilities

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

10. Fund Balances

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

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

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

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

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

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive

unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 8% of the revenues of the District Maintenance Fund.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $12,989,671 and $668,491 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.

Investments

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

Investment Type	Rating	Maturities (in years)		Fair Value
Federated US Treaasury Reserve	AAAm	Less than one Year	$	153,879
US Treasury SLGS Deposit	N/A	5 - 10 Years		358,002
Mutual funds	N/A	Less than one Year		2,500
Total			$	514,381

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

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

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

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	Major fund - Title I Basic Fund	$	89,300
	Major fund - IDEA Part B Fund		38,101
	Other governmental funds		450
	Fiduciary funds		10,000
Total		$	137,851

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	1,076,295
Major Fund - Title I Basic Fund	General Fund		8,880
Other governmental funds	General Fund		25,000
	Other governmental funds		382,952
Total		$	1,493,127

The transfer out of the General fund was for the purpose of funding the vocational program, worker's compensation and the construction fund in the Other Governmental Funds. The transfer out of the Other Governmental Funds to the General Fund was for indirect cost. The transfers within the Other Governmental Funds was for locally funded

construction projects.

Note 4 – Restricted Assets

The restricted assets represent the cash and investment balances, totaling $940,722 and $514,381, respectively, which is legally restricted (i.e., 16th Section Principal Fund, Debt Service Funds and similar type funds) and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 393,491	9,386		402,877
Total non-depreciable capital assets	393,491	9,386	0	402,877
Depreciable capital assets:				
Buildings	16,492,755			16,492,755
Building improvements	345,527			345,527
Mobile equipment	1,908,532	95,420	(5,999)	1,997,953
Furniture and equipment	563,270	68,108		631,378
Total depreciable capital assets	19,310,084	163,528	(5,999)	19,467,613
Less accumulated depreciation for:				
Buildings	4,422,104	328,840		4,750,944
Building improvements	89,268	44,634		133,902
Mobile equipment	1,383,834	95,301	(5,399)	1,473,736
Furniture and equipment	453,550	45,882		499,432
Total accumulated depreciation	6,348,756	514,657	(5,399)	6,858,014
Total depreciable capital assets, net	12,961,328	(351,129)	(600)	12,609,599
Governmental activities capital assets, net	$ 13,354,819	(341,743)	(600)	13,012,476

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 269,591
Support services	227,720
Non-instructional	17,346
Total depreciation expense - Governmental activities	$ 514,657

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation refunding bonds payable	$ 385,000		190,000	195,000	195,000
B. Limited obligation refunding bonds payable	1,550,000		275,000	1,275,000	285,000
C. Qualified school construction bonds payable	1,850,000			1,850,000	0
D. Compensated absences payable	90,030	6,364		96,394	7,712
Total	$ 3,875,030	6,364	465,000	3,416,394	487,712

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General ogligation refunding bonds, 2002	4-4.74	2/1/2002	3/15/2014	$ 2,050,000	195,000

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

Year Ending June 30	Principal	Interest	Total
2014	$ 195,000	9,262	204,262

This debt will be retired from the district maintenance fund (General Fund) and the EEF building and bus fund (Special Revenue Fund).

The district has pledged state appropriations for EEF School Buildings and Buses in the amount of $67,141. The purpose of the pledge is to repay general obligation refunding bonds of the district. The pledge will remain in effect through 2014. The amount of the pledge is the total amount of funds available to the district for this particular purpose. During the year, the pledged revenues represent 32% of the principal and interest requirements for the debt.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to .2% of property assessments as of October 1, 2012.

B. Limited obligation refunding 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
Limited obligation refunding bonds, 2010	2.25	10/1/2010	8/1/2017	$ 1,720,000	1,275,000

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

Year Ending June 30		Principal	Interest	Total
2014	$	285,000	22,886	307,886
2015		290,000	17,136	307,136
2016		300,000	11,236	311,236
2017		305,000	5,186	310,186
2018		95,000	1,068	96,068
Total	$	1,275,000	57,512	1,332,512

This debt will be retired from the MAEP debt retirement fund (Debt Service Fund).

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

C. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
Qualified school construction bonds, 2010	5.3	10/1/2010	8/1/2020	$	1,850,000	1,850,000

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

Year Ending June 30		Principal	Interest	Total
2014	$		98,050	98,050
2015			98,050	98,050
2016			98,050	98,050
2017			98,050	98,050
2018			98,050	98,050
2019 – 2021		1,850,000	294,150	2,144,150
Total	$	1,850,000	784,400	2,634,400

This debt will be retired from the QSCB Debt Retirement Fund (Debt Service Fund). The district will make annual payments to a sinking fund maintained by the paying agent (see Note 12). At the end of the term the amount available in the sinking fund will be sufficient to make the balloon payment on the debt.

D. Compensated absences payable

As more fully explained in Note 1(F)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Other Commitments

Commitments under and renovation contracts amounted to $922,863.

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were $1,361,955, $1,138,793 and $1,121,009, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2014	$	55,338
2015		55,338
2016		51,258
2017		51,258
2018		51,258
2019 – 2023		227,049
2024 – 2028		159,092
2029 – 2033		102,915
Thereafter		31,005
Total	$	784,511

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.

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. 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.

Note 12 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was $360,502. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2014	$	179,000
2015		179,000
2016		189,000
2017		189,000
2018		189,000
2019 – 2021		567,000
Total	$	1,492,000

Note 13 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated September 14, 1993 creating the Kosciusko-Attala County Alternative Education Cooperative. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Kosciusko School District and the Attala County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Kosciusko School District has been designated as the lead school district for the Kosciusko-Attala County Alternative Education Cooperative, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Kosciusko-Attala County Alternative Education Cooperative.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2013

Revenues		
Local sources:		
Tuition from other LEA's within the state:		
Attala County School District	$	108,887
Interest		382
Total local sources		109,269
State sources		79,223
Total Revenues		188,492
Expenditures		
Salaries		140,372
Employee benefits		48,215
Purchased professional and technical services		11,560
Other professional services		175
Purchased property services		58,290
Other purchased services		20,448
Supplies		4,625
Property		812
Other		180
Total Expenditures		284,677
Excess (Deficiency) of Revenues Over (Under) Expenditures		(96,185)
Total Other Financing Sources/Uses		0
Net Change in Fund Balance		(96,185)
Fund Balance:		
July 1, 2012		479,550
June 30, 2013	$	383,365

Note 14 – Vocational School Consortium

The school district entered into a Vocational Education Agreement dated February 14, 1978 creating the Vocational-Technical Training Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972) and was approved by the Mississippi Department of Education. The center includes the Kosciusko School District and the Attala County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement for the construction or operation of a regional vocational education center. The agreement designates the fiscal agent and provides the method of financing the operation for the center, the manner in which the center is to be controlled and staffed and sets detail procedures for student admission and the transportation services for those students. The Attala County School District has been designated as the fiscal agent for the Vocational-Technical Training Center and the operations of the center are included in its financial statements.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through November 20, 2013 and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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Kosciusko School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Local sources	$ 4,021,526	4,092,276	4,503,818	70,750	411,542
State sources	10,197,114	10,252,973	10,242,386	55,859	(10,587)
Federal sources	2,500	98,342	101,310	95,842	2,968
Sixteenth section sources	0	0	180,034	0	180,034
Total Revenues	14,221,140	14,443,591	15,027,548	222,451	583,957
Expenditures					
Instruction	9,155,939	9,006,142	8,722,565	149,797	283,577
Support services	4,760,606	5,097,269	4,659,909	(336,663)	437,360
Noninstructional services	1,500	1,860	1,843	(360)	17
Sixteenth section	0	0	65,859	0	(65,859)
Facilities acquisition and construction	0	9,658	9,386	(9,658)	272
Debt service					
Principal	119,442	119,442	118,766	0	676
Interest	18,193	18,193	18,193	0	0
Other	1,000	1,000	1,000	0	0
Total Expenditures	14,056,680	14,253,564	13,597,521	(196,884)	656,043
Excess (Deficiency) of Revenues Over Expenditures	164,460	190,027	1,430,027	25,567	1,240,000
Other Financing Sources (Uses)					
Insurance loss recoveries	0	1,256	1,256	1,256	0
Operating transfers in	282,998	297,190	33,880	14,192	(263,310)
Operating transfers out	(271,919)	(1,237,006)	(1,076,295)	(965,087)	160,711
Total Other Financing Sources (Uses)	11,079	(938,560)	(1,041,159)	(949,639)	(102,599)
Net Change in Fund Balances			388,868		
Fund Balances					
July 1, 2012			10,154,543		
June 30, 2013			$ 10,543,411		

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

Kosciusko School District
Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Basic Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Federal sources	$ 581,604	853,137	634,616	271,533	(218,521)
Total Revenues	581,604	853,137	634,616	271,533	(218,521)
Expenditures					
Instruction	354,195	597,607	456,696	(243,412)	140,911
Support services	201,585	215,344	149,236	(13,759)	66,108
Noninstructional services	25,824	27,613	19,804	(1,789)	7,809
Total Expenditures	581,604	840,564	625,736	(258,960)	214,828
Excess (Deficiency) of Revenues Over Expenditures	0	12,573	8,880	12,573	(3,693)
Other Financing Sources (Uses)					
Operating transfers out	(25,000)	(12,573)	(8,880)	(12,427)	3,693
Total Other Financing Sources (Uses)	(25,000)	(12,573)	(8,880)	(12,427)	3,693
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2012			0		
June 30, 2013			$ 0		

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

Kosciusko School District
Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Federal sources	$ 770,163	878,987	521,252	108,824	(357,735)
Total Revenues	770,163	878,987	521,252	108,824	(357,735)
Expenditures					
Instruction	247,825	441,281	183,360	(193,456)	257,921
Support services	516,338	435,706	337,668	80,632	98,038
Noninstructional services	6,000	2,000	224	4,000	1,776
Total Expenditures	770,163	878,987	521,252	(108,824)	357,735
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2012			0		
June 30, 2013			$ 0		

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

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTARY INFORMATION

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KOSCIUSKO SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 432,260
National school lunch program	10.555	909,540
Total child nutrition cluster		1,341,800
Total U.S. Department of Agriculture		1,341,800
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	95,841
Total Federal Communications Commission		95,841
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	634,617
Rural education	84.358	44,701
Improving teacher quality - state grants	84.367	161,103
Total		840,421
Special education cluster:		
Special education - grants to states	84.027	521,252
Special education - preschool grants	84.173	48,657
Total special education cluster		569,909
Total passed-through Mississippi Department of Education		1,410,330
Total U.S. Department of Education		1,410,330
Total for All Federal Awards		$ 2,847,971

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

KOSCIUSKO SCHOO DISTRICT
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 Administrative	School Administration	Other
Salaries and fringe benefits	$ 13,050,961	$ 10,394,485	$ 496,227	$ 882,615	$ 1,277,634
Other	$ 5,081,703	$ 888,334	$ 135,607	$ 13,121	$ 4,044,641
Total	$ 18,132,664	$ 11,282,819	$ 631,834	$ 895,736	$ 5,322,275
Total number of students	2,249				
Cost per student	$ 8,063	$ 5,017	$ 281	$ 398	$ 2,367

Notes to the schedule.

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.

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER INFORMATION

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	$ 4,503,818	4,250,488	4,187,596	4,287,799
State sources	10,242,386	9,975,366	9,209,856	9,352,346
Federal sources	101,310	15,896	77,680	79,610
Sixteenth section sources	180,034	197,110	0	0
Total Revenues	15,027,548	14,438,860	13,475,132	13,719,755
Expenditures				
Instruction	8,722,565	8,358,095	7,128,797	7,565,131
Support services	4,659,909	4,215,969	4,368,803	4,376,856
Noninstructional services	1,843	1,783	1,688	0
Sixteenth section	65,859	21,574	0	0
Facilities acquisition and construction	9,386	85,233	16,128	0
Debt service				
Principal	118,766	114,442	107,859	97,859
Interest	18,193	26,703	34,578	41,838
Other	1,000	1,000	1,000	1,000
Total Expenditures	13,597,521	12,824,799	11,658,853	12,082,684
Excess (Deficiency) of Revenues Over Expenditures	1,430,027	1,614,061	1,816,279	1,637,071
Other Financing Sources (Uses)				
Insurances loss recoveries	1,256	4,326	0	0
Operating transfers in	33,880	26,402	58,027	164,298
Operating transfers out	(1,076,295)	(87,240)	(189,885)	(110,031)
Total Other Financing Sources (Uses)	(1,041,159)	(56,512)	(131,858)	54,267
Net Change in Fund Balances	388,868	1,557,549	1,684,421	1,691,338
Fund Balances				
July 1, as previously reported	10,154,543	8,600,868	6,916,447	5,225,109
Prior period adjustments	0	(3,874)	0	0
July 1, as restated	10,154,543	8,596,994	6,916,447	5,225,109
June 30	$ 10,543,411	10,154,543	8,600,868	6,916,447

* Source - Prior year audit reports.

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	$ 5,013,725	4,747,097	4,706,187	4,814,936
State sources	10,717,102	10,500,188	9,775,934	9,925,490
Federal sources	2,666,205	2,545,162	3,733,761	3,632,579
Sixteenth section sources	198,621	221,640	61,945	168,600
Total Revenues	18,595,653	18,014,087	18,277,827	18,541,605
Expenditures				
Instruction	9,710,960	9,526,246	9,599,103	10,120,423
Support services	6,482,183	5,337,857	6,005,112	5,085,106
Noninstructional services	1,245,790	1,137,554	1,090,188	978,152
Sixteenth section	74,387	21,574	47,024	35,138
Facilities acquisition and construction	9,386	289,911	358,901	375,695
Debt service				
Principal	465,000	369,971	584,352	523,810
Interest	142,058	62,836	108,585	138,010
Other	2,900	2,500	48,011	2,021
Total Expenditures	18,132,664	16,748,449	17,841,276	17,258,355
Excess (Deficiency) of Revenues Over Expenditures	462,989	1,265,638	436,551	1,283,250
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	0	1,850,000	0
Proceeds of refunding bonds	0	0	1,720,000	0
Proceeds of loans	0	0	0	175,000
Insurances loss recoveries	1,256	4,326	0	0
Operating transfers in	1,493,127	113,642	247,912	274,329
Other financing sources	0	0	26,352	0
Operating transfers out	(1,493,127)	(113,642)	(247,912)	(274,329)
Payment to refunded bond escrow agent	0	0	(1,704,652)	0
Total Other Financing Sources (Uses)	1,256	4,326	1,891,700	175,000
Net Change in Fund Balances	464,245	1,269,964	2,328,251	1,458,250
Fund Balances				
July 1, as previously reported	13,511,250	12,248,085	9,915,506	8,460,191
Prior period adjustments	0	(3,874)	0	0
July 1, as restated	13,511,250	12,244,211	9,915,506	8,460,191
Increase (Decrease) in reserve for inventory	61	(2,925)	4,328	(2,935)
June 30	$ 13,975,556	13,511,250	12,248,085	9,915,506

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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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*

Independent Auditor's Report

Superintendent and School Board
Kosciusko School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kosciusko School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Kosciusko School District's basic financial statements, and have issued my report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Kosciusko 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kosciusko School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Kosciusko 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Kosciusko School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Charles L. Shivers, CPA

Ridgeland, MS
November 12, 2013

CHARLES L. SHIVERS
Certified Public Accountant

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Superintendent and School Board
Kosciusko School District

Report on Compliance for Each Major Federal Program

I have audited Kosciusko 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 Kosciusko School District's major federal programs for the year ended June 30, 2013. Kosciusko 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

My responsibility is to express an opinion on compliance for each of Kosciusko School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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*, is-sued 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 I 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 Kosciusko School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Kosciusko 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 Kosciusko 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 my audit of compliance, I considered Kosciusko 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

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expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Kosciusko 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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

Charles L. Shivers, CPA

Ridgeland, MS
November 12, 2013

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

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CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Kosciusko School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kosciusko School District as of and for the year ended June 30, 2013, which collectively comprise Kosciusko School District's basic financial statements and have issued my report thereon dated November 12, 2013. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 $-0- 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

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

Charles L. Shivers, CPA

Ridgeland, MS
November 12, 2013

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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KOSCIUSKO SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the basic financial statements:	Unqualified
2.	Noncompliance material to the basic financial statements noted?	No
3.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	None Reported

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	None Reported
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Federal program identified as major program:	
	Child nutrition cluster CFDA #: 10.553 CFDA #: 10.555	
8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	Yes
10	Prior fiscal year audit findings 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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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