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MONROE COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2013**

MONROE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Monroe County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and 40-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of the Monroe County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monroe County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Okolona, Mississippi
January 15, 2014

Watkins, Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$1,782,824, which represents an 8% increase from fiscal year 2012. Total net position for 2012 increased \$7,634,646, which represents a 48% increase from fiscal year 2011.
- General revenues amounted to \$15,187,675 and \$15,924,301, or 72% and 54% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,007,307, or 28% of total revenues for 2013, and \$13,501,626 or 46% of total revenues for 2012.
- The District had \$19,412,158 and \$21,791,281 in expenses for fiscal years 2013 and 2012; only \$6,007,307 for 2013 and \$13,501,626 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,187,675 for 2013 and \$15,924,301 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$15,118,194 in revenues and \$16,555,765 in expenditures for 2013, and \$15,623,074 in revenues and \$19,266,046 in expenditures in 2012. The General Fund's fund balance decreased \$5,820,980 from 2012 to 2013, and increased by \$3,906,321 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$6,692,690 for 2013 and increased \$2,678,077 for 2012. The increase for 2013 was due to construction contracts resulting from the Smithville tornado damage.
- Long-term debt decreased by \$430,034 for 2013 and decreased by \$540,211 for 2012. The liability for compensated absences decreased by \$12,668 for 2013 and increased by \$4,123 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 supplemental information, supplemental 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 Assets 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 the financial position of the District 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.

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

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, and interest on long-term liabilities.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, 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 fund 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.

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$25,280,420 as of June 30, 2013.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 8,748,869	\$ 13,835,773	-36.77 %
Restricted assets	1,558,321	1,939,949	-19.67 %
Capital assets, net	19,636,856	12,944,166	51.70 %
Total assets	29,944,046	28,719,888	4.26 %
Current liabilities	255,664	384,296	-33.47 %
Long-term debt outstanding	4,407,962	4,837,996	-8.89 %
Total liabilities	4,663,626	5,222,292	-10.70 %

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

Net position:

Net investment in capital assets	15,371,162	8,281,580	85.61 %
Restricted	4,194,672	3,704,206	13.24 %
Unrestricted	5,714,586	11,511,810	-50.36 %
Total net position	<u>\$ 25,280,420</u>	<u>\$ 23,497,596</u>	7.59 %

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Increase in net capital assets in the amount of \$6,692,690.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$ 21,194,982 and \$29,425,927, respectively. The total cost of all programs and services was \$19,412,158 for 2013 and \$21,791,281 for 2012. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 854,066	\$ 9,453,645	(90.97) %
Operating grants and contributions	2,816,188	2,655,191	6.06 %
Capital Grants and Contributions	2,337,053	1,392,790	67.80 %
General revenues:			
Property taxes	4,049,144	4,050,510	(0.03) %
Grants and contributions not restricted	10,625,311	11,418,007	(6.94) %
Investment earnings	72,310	-	N/A %
Sixteenth section sources	128,535	342,373	(62.46) %
Other	312,375	113,411	175.44 %
Total revenues	<u>21,194,982</u>	<u>29,425,927</u>	(27.97) %
Expenses:			
Instruction	11,701,241	11,859,250	(1.33) %
Support services	6,265,978	8,510,652	(26.37) %
Non-instructional	1,235,095	1,159,490	6.52 %
Sixteenth section	24,265	34,085	(28.81) %
Interest on long-term liabilities	185,579	227,804	(18.54) %
Total expenses	<u>19,412,158</u>	<u>21,791,281</u>	(10.92) %
Increase (Decrease) in net position	<u>1,782,824</u>	<u>7,634,646</u>	(76.65) %
Net Position, July 1	<u>23,497,596</u>	<u>15,862,950</u>	48.13 %
Net Position, June 30	<u>\$ 25,280,420</u>	<u>\$ 23,497,596</u>	7.59 %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 11,701,241	\$ 11,859,250	(1.33) %
Support services	6,265,978	8,510,652	(26.37) %
Non-instructional	1,235,095	1,159,490	6.52 %
Sixteenth section	24,265	34,085	(28.81) %
Interest on long-term liabilities	185,579	227,804	(18.54) %
Total expenses	\$ 19,412,158	\$ 21,791,281	(10.92) %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (7,584,177)	\$ (1,803,193)	320.60 %
Support services	(5,731,620)	(6,366,601)	(9.97) %
Sixteenth section	120,790	142,028	(14.95) %
Non-instructional	(24,265)	(34,085)	(28.81) %
Interest on long-term liabilities	(185,579)	(227,804)	(18.54) %
Total net (expense) revenue	\$ (13,404,851)	\$ (8,289,655)	61.71 %

- Net cost of governmental activities (\$13,404,851 for 2013 and \$8,289,655 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$4,049,144 for 2013 and \$4,050,510 for 2012) and state and federal revenues (\$10,625,311 for 2013 and \$11,418,007 for 2012). In addition there was \$128,535 and \$342,373 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$72,310 for 2013 and \$0 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 \$10,043,292, a decrease of \$5,341,449, which includes a decrease in inventory of \$456. \$4,515,750 or 45% 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

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

general fund. The remaining fund balance of \$5,527,542 or 55% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$5,820,980. The fund balance of Other Governmental Funds showed a decrease in the amount of \$490,384, which includes a decrease in reserve for inventory of \$456 due primarily to a decrease in the summer food program. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
CDBG/HMPG Grant Fund	\$ no increase or decrease
Smithville Rebuilding Fund	\$ (151,577)
Smithville Dome Gym Fund	1,118,224
16th Section Principal Fund	3,268

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 fund 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 \$27,816,502, including land, school buildings, building and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$7,283,542 from 2012. Total accumulated depreciation as of June 30, 2013, was \$8,179,646, and total depreciation expense for the year was \$640,257, resulting in total net capital assets of \$19,636,856.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 485,638	\$ 485,638	0.00 %
Construction in Progress	6,067,467	2,409,786	151.78 %
Buildings	6,624,959	5,219,052	26.94 %
Building improvements	2,945,352	1,136,644	159.13 %
Improvements other than buildings	1,633,995	1,661,085	(1.63) %
Mobile equipment	1,021,481	1,167,722	(12.52) %
Furniture and equipment	167,660	124,589	34.57 %
Leased property under capital leases	690,304	739,650	(6.67) %
Total	\$ 19,636,856	\$ 12,944,166	51.70 %

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

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

Debt Administration. At June 30, 2013, the District had \$4,407,962 in outstanding long-term debt, of which \$410,295 is due within one year. The liability for compensated absences decreased \$12,668 from the prior year.

The District maintains a AA bond rating.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
Limited obligation refunding bonds payable	\$ 1,890,000	\$ 2,170,000	(12.90) %
Three mill notes payable	720,000	800,000	(10.00) %
Shortfall notes payable		20,474	(100.00) %
Obligations under energy efficiency leases	595,694	632,586	(5.83) %
Qualified school construction bonds payable	1,060,000	1,060,000	0.00 %
Compensated absences payable	142,268	154,936	(8.18) %
Total	\$ 4,407,962	\$ 4,837,996	(8.89) %

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

CURRENT ISSUES

The Monroe County 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 questions about this report, contact the Superintendent's Office of the Monroe County School District, Post Office Box 209, Amory, Mississippi, 38821.

FINANCIAL STATEMENTS

**Monroe County School District
Statement of Net Position
June 30, 2013**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,166,204
Investments	163,793
Due from other governments	2,254,985
Accrued interest receivable	3,541
Other receivables, net	52,868
Inventories	48,125
Deferred debt issuance costs	59,353
Restricted assets	1,558,321
Capital assets, non-depreciable:	
Land	485,638
Construction in progress	6,067,467
Capital assets, net of accumulated depreciation:	
Buildings	6,624,959
Building improvements	2,945,352
Improvements other than buildings	1,633,995
Mobile equipment	1,021,481
Furniture and equipment	167,660
Leased property under capital leases	690,304
Total Assets	<u>29,944,046</u>
Liabilities	
Accounts payable and accrued liabilities	204,360
Unearned revenue	185
Interest payable on long-term liabilities	51,119
Long-term liabilities, due within one year:	
Capital related liabilities	410,295
Non-capital related liabilities	-
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,855,399
Non-capital related liabilities	142,268
Total Liabilities	<u>4,663,626</u>
Net Position	
Net investment in capital assets	15,371,162
Restricted for:	
Expendable:	
School-based activities	492,016
Debt service	522,581
Capital improvements	1,600,882
Forestry improvements	76,333
Unemployment benefits	45,534
Non-expendable:	
Sixteenth section	1,457,326
Unrestricted	5,714,586
Total Net Position	<u>\$ 25,280,420</u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 11,701,241	\$ 392,486	\$ 1,387,525	\$ 2,337,053		\$ (7,584,177)
Support services	6,265,978	-	534,358	-		(5,731,620)
Non-instructional	1,235,095	461,580	894,305	-		120,790
Sixteenth section	24,265	-	-	-		(24,265)
Interest on long-term liabilities	185,579	-	-	-		(185,579)
Total Governmental Activities	\$ 19,412,158	\$ 854,066	\$ 2,816,188	\$ 2,337,053		\$ (13,404,851)

General Revenues:

Taxes:

General purpose levies	3,942,319
Debt purpose levies	106,825

Unrestricted grants and contributions:

State	10,341,911
Federal	283,400
Unrestricted investment earnings	72,310
Sixteenth section sources	128,535
Other	312,375

Total General Revenues	15,187,675
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Change in Net Position	1,782,824
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Net Position - Beginning	23,497,596
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Net Position - Ending	\$ 25,280,420
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The notes to the financial statements are an integral part of this statement.

Monroe County School District
 Governmental Funds
 Balance Sheet
 June 30, 2013

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	HMPG Grant Fund	CDBG/ Smithville Rebuilding Fund	Smithville Dome Gym Fund	16th Section Principal Fund	Other Governmental Funds		
Assets								
Cash and cash equivalents	\$ 5,185,066	\$ -	\$ -	\$ -	\$ 13,294	\$ 981,138	\$ 6,179,498	
Cash with fiscal agents	-	-	-	-	-	124,435	124,435	
Investments	-	-	-	-	1,420,592	163,793	1,584,385	
Due from other governments	181,892	1,369,763	-	-	-	703,330	2,254,985	
Accrued interest receivable	-	-	-	-	3,541	-	3,541	
Other receivables, net	32,080	-	-	-	-	20,310	52,390	
Due from other funds	548,367	-	67,240	1,369,763	1,074	3,369	1,989,813	
Advance to other funds	-	-	-	-	24,287	-	24,287	
Inventories	-	-	-	-	-	48,125	48,125	
Total assets	\$ 5,947,405	\$ 1,369,763	\$ 67,240	\$ 1,369,763	\$ 1,462,788	\$ 2,044,500	\$ 12,261,459	

Liabilities and Fund Balances

Liabilities:	
Accounts payable and accrued liabilities	\$ 122,373
Due to other funds	3,244
Advances from other funds	24,287
Unearned revenue	-
Total Liabilities	149,904
	1,369,763
	67,240
	251,539
	5,452
	374,259
	2,218,167

Fund Balances:

Nonspendable:	
Inventories	-
Permanent fund principal	-
Advances	1,433,039
Restricted:	
Debt service	-
Capital projects	-
Forestry improvement purposes	1,118,224
Grant activities	-
Unemployment benefits	-
Assigned:	
Capital improvements	907,105
Activity funds	260,675
Other	113,971
Unassigned	
	4,515,750
Total Fund Balances	5,797,501
Total Liabilities and Fund Balances	5,947,405
	1,369,763
	67,240
	1,369,763
	1,462,788
	1,670,241
	2,044,500
	12,261,459

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

Monroe County School District
 Governmental Funds

Exhibit C-1

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

Total fund balances for governmental funds \$ 10,043,292

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	\$ 485,638	
Construction in progress	6,067,467	
Buildings	11,586,947	
Building improvements	3,259,803	
Improvements other than buildings	2,056,162	
Mobile equipment	2,831,027	
Furniture and equipment	725,490	
Leased property under capital leases	803,968	
Accumulated depreciation	<u>(8,179,646)</u>	19,636,856

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

Limited obligation bonds	\$ (1,890,000)	
Notes payable	(720,000)	
Qualified school construction bonds	(1,060,000)	
Obligations under energy efficiency lease	(595,694)	
Compensated absences	(142,268)	
Deferred charges - debt issuance costs	59,353	
Accrued interest payable	<u>(51,119)</u>	(4,399,728)

Net position of governmental activities \$ 25,280,420

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

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

	Major Funds						Total Governmental Funds
	General Fund	HMPG Grant Fund	CDBG/ Fund	Smithville Rebuilding Fund	Smithville Dome Gym Fund	16th Section Principal Fund	
Revenues:							
Local sources	\$ 4,622,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 652,373
State sources	10,211,863	-	-	-	-	-	836,680
Federal sources	283,400	1,632,260	-	-	-	-	2,814,350
Sixteenth section sources	-	-	-	-	8,730	-	126,763
Total Revenues	15,118,194	1,632,260	0	0	8,730	0	4,430,166
Expenditures:							
Instruction	9,644,808	-	-	-	-	-	1,615,408
Support services	5,315,267	-	-	-	-	-	764,661
Noninstructional services	-	-	-	-	-	-	1,287,062
Sixteenth section	-	-	-	-	-	-	24,265
Facilities acquisition and construction	1,523,451	-	-	3,737,018	1,947,878	-	62,277
Debt service:							
Principal	36,892	-	-	-	-	-	380,474
Interest	35,347	-	-	-	-	-	158,667
Other	-	-	-	-	-	-	2,500
Total Expenditures	16,555,765	0	3,737,018	1,947,878	0	0	4,295,314
Excess (Deficiency) of Revenues over (under) Expenditures	(1,437,571)	1,632,260	(3,737,018)	(1,947,878)	8,730	134,852	(5,346,625)
Other Financing Sources (Uses):							
Insurance recovery	5,632	-	-	-	-	-	5,632
Payment to QSCB escrow agent	-	-	-	-	-	-	(62,124)
Payment held by QSCB debt escrow agent	-	-	-	-	-	-	62,124
Operating transfers in	1,651,242	-	3,585,441	3,066,102	-	-	1,299,325
Operating transfers out	(6,040,283)	(1,632,260)	-	-	(5,462)	(1,924,105)	9,602,110
Total Other Financing Sources (Uses)	(4,383,409)	(1,632,260)	3,585,441	3,066,102	(5,462)	(624,780)	5,632
Net Change in Fund Balances	(5,820,980)	0	(151,577)	1,118,224	3,268	(489,928)	(5,340,993)
Fund Balances:							
July 1, 2012	11,618,481	-	-	151,577	-	1,454,058	2,160,625
Increase (Decrease) in reserve for inventory	-	-	-	-	-	-	(456)
June 30, 2013	\$ 5,797,501	\$ 0	\$ 0	\$ 1,118,224	\$ 1,457,326	\$ 1,670,241	\$ 10,043,292

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

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (5,340,993)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 7,346,242	
Depreciation expense	<u>(640,257)</u>	6,705,985

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (13,295)

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

Payments of debt principal	417,366	
Payments held by QSCB debt escrow agent	(62,124)	
Payments to QSCB escrow agent	62,124	
Accrued interest payable	<u>10,935</u>	428,301

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

Change in compensated absences	12,668	
Change in inventory reserve	(456)	
Amortization of deferred charges - bond issue costs	<u>(9,386)</u>	2,826

Change in net position of governmental activities \$ 1,782,824

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

Monroe County School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 7,706	\$ 918,863
Due from other funds	-	100
Total Assets	<u>7,706</u>	<u>\$ 918,963</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 858,246
Due to other funds	-	578
Due to student clubs	-	60,139
Total Liabilities	<u>\$ -</u>	<u>\$ 918,963</u>
Net Position		
Reserved for endowments	1,161	
Held in trust	6,545	
Total Net Position	<u>\$ 7,706</u>	

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

Monroe County School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 8
Contributions and donations from private sources	1,646
Total Additions	<u>1,654</u>
Deductions	
Scholarships awarded	<u>500</u>
Total Deductions	<u>500</u>
Change in Net Position	<u>1,154</u>
Net Position	
July 1, 2012,	<u>6,552</u>
June 30, 2013	<u>\$ 7,706</u>

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

MONROE COUNTY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Monroe County 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, Monroe County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or

MONROE COUNTY SCHOOL DISTRICT

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

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.

CDBG/HMPG Grant Fund – This capital projects fund is used to account for expenditures incurred in the construction of dome gym/storm shelters for the county's schools.

Smithville Rebuilding Fund – This capital projects fund is used to account for expenditures incurred in the construction and improvement to Smithville schools.

Smithville Dome Gym Fund – This capital projects fund is used to account for expenditures incurred in the construction of a dome gym/storm shelter at Smithville school.

Sixteenth Section Principal Fund – This is the district's sixteenth section principal fund. This principal is restricted an only earnings may be spent to support the district's programs.

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

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

The District's fiduciary funds include the following:

Activity/Agency Fund – This fund is used to account for revenues and expenditures of various student clubs in the district.

Accounts Payable Clearing – This fund is used to account for the district's claims payable and the payment of those claims.

Payroll Clearing – This fund is used to account for salaries and related salary expenditures payable and the payment of those payables.

Transportation Banquet Fund – This fund has sold advertisements to fund operations for the district's bus shop, mainly providing the cost of annual professional development and training for the district's bus drivers.

Walker Manufacturing Scholarship Fund – This fund contains the proceeds from the sale of a donated vo-tech vehicle from Walker Manufacturing that were used to establish a college scholarship fund for one of the district's graduating seniors each year.

Additionally, the school district reports the following fund types:

MONROE COUNTY SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

MONROE COUNTY SCHOOL DISTRICT

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

MONROE COUNTY SCHOOL DISTRICT

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

that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

MONROE COUNTY SCHOOL DISTRICT

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

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:

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

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

7. Compensated Absences

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

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

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

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

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

MONROE COUNTY SCHOOL DISTRICT

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

9. Fund Balances

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

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

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

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

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

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

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

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

MONROE COUNTY SCHOOL DISTRICT

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

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 \$6,179,498 and \$926,569, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$7,796,372 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$124,435.

Investments

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

MONROE COUNTY SCHOOL DISTRICT

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	NA	Less than 1	\$ 1,420,592
Hancock Horizon Treasury Securities Money Market Mutual Funds	AAAm	Less than 1	163,793
Total			<u>\$ 1,584,385</u>

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

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

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Smithville Dome Gym Fund	\$ 251,539
General Fund	16th Section Principal Fund	5,462
General Fund	Other Governmental Funds	290,913
General Fund	Fiduciary Funds	453
Smithville Rebuilding Fund	Other governmental funds	67,240
Smithville Dome Gym Fund	CDBG/HMPG Grant Fund	1,369,763
Sixteenth Section Principal Fund	Other governmental funds	1,074
Other governmental funds	General Fund	3,244
Other governmental funds	Fiduciary Funds	125
Fiduciary Funds	Other governmental funds	100
Total		<u>\$ 1,989,913</u>

The amounts due to or due from other funds represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.

MONROE COUNTY SCHOOL DISTRICT

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

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 24,287
Total		<u>\$ 24,287</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 11,905	\$	\$ 11,905
2015	12,382		12,382
Total	<u>\$ 24,287</u>	<u>\$ -</u>	<u>\$ 24,287</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Smithville Rebuilding Fund	\$ 3,585,441
General Fund	Smithville Dome Gym Fund	1,433,842
General Fund	Other governmental funds	1,021,000
CDBG/HMPG Grant Fund	Smithville Dome Gym Fund	1,632,260
Sixteenth Section Principal Fund	General Fund	5,462
Other governmental funds	General Fund	1,645,780
Other governmental funds	Other governmental funds	278,325
Total		<u>\$ 9,602,110</u>

The transfers represent Board approved operating transfers for school operations and planning purposes.

Note 4 – Restricted Assets

The restricted assets represent the cash balance of \$13,294 and the investment balance of \$1,420,592 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. Also, restricted assets include the cash with fiscal agents balance of \$124,435 of the QSCB debt service sinking fund.

MONROE COUNTY SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

Governmental Activities:	Balance 7/1/2012	Increases	Decreases	Completed Construction	Balance 6/30/2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 485,638	-	-	-	\$ 485,638
Construction in progress	2,409,786	7,222,560	-	(3,564,879)	6,067,467
Total non-depreciable capital assets	2,895,424	7,222,560	-	(3,564,879)	6,553,105
<u>Depreciable capital assets:</u>					
Buildings	9,985,069		23,901	1,625,779	11,586,947
Building improvements	1,320,703			1,939,100	3,259,803
Improvements other than buildings	2,008,098	48,064			2,056,162
Mobile equipment	2,831,027				2,831,027
Furniture and equipment	688,671	75,618	38,799		725,490
Leased property under capital lease	803,968				803,968
Total depreciable capital assets	17,637,536	123,682	62,700	3,564,879	21,263,397
<u>Less accumulated depreciation for:</u>					
Buildings	4,766,017	206,965	10,994		4,961,988
Building improvements	184,059	130,392			314,451
Improvements other than buildings	347,013	75,154			422,167
Mobile equipment	1,663,305	146,241			1,809,546
Furniture and equipment	564,082	32,159	38,411		557,830
Leased property under capital leases	64,318	49,346			113,664
Total accumulated depreciation	7,588,794	640,257	49,405	-	8,179,646
Total depreciable capital assets, net	10,048,742	(516,575)	13,295	3,564,879	13,083,751
Governmental activities capital assets, net	\$ 12,944,166	6,705,985	13,295	-	\$ 19,636,856

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	Amount
Instruction	\$ 444,670
Support Services	176,664
Non-instructional	18,923
Total depreciation expense - Governmental activities	\$ 640,257

MONROE COUNTY SCHOOL DISTRICT

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

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2013	Remaining Commitment
Smithville - New Band Hall	\$ 468,921	4,000
Smithville - Competition Gym	2,091,865	346,915
Smithville - New K-6 Building	3,403,294	36,022
Smithville - Campus Paving	10,491	-
Hamilton - Storm Shelter	46,448	-
Hatley - Storm Shelter	46,448	-
Total governmental activities	<u>\$ 6,067,467</u>	<u>386,937</u>

Construction projects included in governmental activities are funded with proceeds from the issuance of long-term debt and funds that have been transferred from the General Fund to the respective Capital Project Fund to be used for the renovation and construction of major capital facilities.

Note 6 – Long-term Liabilities

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

Description	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Limited obligations bonds payable	\$ 2,170,000	\$ -	\$ 280,000	\$ 1,890,000	\$ 290,000
B. Three mill notes payable	800,000	-	80,000	720,000	80,000
C. Shortfall notes payable	20,474	-	20,474	-	-
D. Obligations under energy efficiency leases	632,586	-	36,892	595,694	40,295
E. Qualified school construction bonds payable	1,060,000	-	-	1,060,000	-
F. Compensated absences payable	154,936	-	12,668	142,268	N/A
Total	<u>\$ 4,837,996</u>	<u>\$ -</u>	<u>\$ 430,034</u>	<u>\$ 4,407,962</u>	<u>\$ 410,295</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement, Refunding Bonds-Series 2008	2.40-3.55%	4/10/2008	2/1/2018	\$ 2,995,000	\$ 1,890,000
Total				<u>\$ 2,995,000</u>	<u>\$ 1,890,000</u>

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

MONROE COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 290,000	\$ 59,350	\$ 349,350
2015	300,000	50,275	350,275
2016	310,000	40,358	350,358
2017	320,000	29,645	349,645
2018	670,000	18,268	688,268
Total	\$ <u>1,890,000</u>	\$ <u>197,896</u>	\$ <u>2,087,896</u>

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

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note-Series 2010	3.29%	7/1/2010	6/30/21	\$ 875,000	\$ 720,000
Total				\$ <u>875,000</u>	\$ <u>720,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 80,000	\$ 23,688	\$ 103,688
2015	85,000	21,056	106,056
2016	90,000	18,260	108,260
2017	90,000	15,299	105,299
2018	90,000	12,338	102,338
2019-2021	285,000	18,754	303,754
Total	\$ <u>720,000</u>	\$ <u>109,395</u>	\$ <u>829,395</u>

This debt will be retired from the District Maintenance Fund.

C. Shortfall notes payable

The Shortfall Note Payable – Series 2009 was paid off during the current year. There were no Shortfall notes payables outstanding at the end of the fiscal year.

MONROE COUNTY SCHOOL DISTRICT

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

D. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Equipment Lease	5.44%	12/16/2010	6/30/2023	\$ 808,482	\$ 595,694
Total				\$ 808,482	\$ 595,694

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 40,295	\$ 31,865	\$ 72,160
2015	43,910	29,625	73,535
2016	47,752	27,184	74,936
2017	51,833	24,532	76,365
2018	56,167	21,654	77,821
2019-2023	355,737	56,192	411,929
Total	\$ 595,694	\$ 191,052	\$ 786,746

An energy efficiency lease agreement dated 12/16/2010 was executed by and between the district, the lessee, and First Security Leasing, the lessor.

The agreement authorized the borrowing of \$808,482 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

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

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

E. 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 Payable-Series 2010	0.71%	12/17/2010	6/30/2028	\$ 1,060,000	\$ 1,060,000
Total				\$ 1,060,000	\$ 1,060,000

MONROE COUNTY SCHOOL DISTRICT

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

F. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

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 \$1,486,760, \$1,319,119, and \$1,249,396, 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.

MONROE COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Amount
2014	\$ 7,853
2015	5,219
2016	5,219
2017	5,219
2018	5,219
2019-2023	25,510
2024-2028	22,789
2029-2033	20,438
Total	<u>\$ 97,466</u>

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

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

MONROE COUNTY SCHOOL DISTRICT

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

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 \$124,435. 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	\$ 62,311
2015	62,311
2016	62,311
2017	62,311
2018	62,311
2019-2023	311,555
2024-2028	312,268
Total	\$ <u>935,378</u>

Note 13 - Insurance loss recoveries

The Monroe County School District received \$5,632 in insurance loss recoveries related to tornado damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

MONROE COUNTY SCHOOL DISTRICT

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

Insurance Loss		
<u>Recoveries</u>	<u>Percentage</u>	<u>Expense Function</u>
\$ <u>5,632</u>	<u>100%</u>	Instruction

Note 14 - 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 Monroe County School District evaluated the activity of the district through January 15, 2014, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,310,071	\$ 4,622,931	\$ 4,622,931	\$ 312,860	\$ -
State sources	10,200,965	10,211,863	10,211,863	10,898	-
Federal sources	260,000	283,400	283,400	23,400	-
Total Revenues	14,771,036	15,118,194	15,118,194	347,158	-
Expenditures:					
Instruction	9,086,281	9,644,808	9,644,808	(558,527)	-
Support services	4,474,252	5,315,267	5,315,267	(841,015)	-
Facilities acquisition and construction		1,523,451	1,523,451	(1,523,451)	-
Debt service:				-	
Principal		36,892	36,892	(36,892)	-
Interest	1,429	35,347	35,347	(33,918)	-
Total Expenditures	13,561,962	16,555,765	16,555,765	(2,993,803)	-
Excess (Deficiency) of Revenues over (under) Expenditures	1,209,074	(1,437,571)	(1,437,571)	(2,646,645)	-
Other Financing Sources (Uses):					
Insurance recovery	6,089,291	5,632	5,632	(6,083,659)	-
Operating transfers in	1,878,851	4,548,923	1,651,242	2,670,072	(2,897,681)
Operating transfers out	(8,987,830)	(8,937,964)	(6,040,283)	49,866	2,897,681
Total Other Financing Sources (Uses)	(1,019,688)	(4,383,409)	(4,383,409)	(3,363,721)	-
Net Change in Fund Balances	189,386	(5,820,980)	(5,820,980)	(6,010,366)	-
Fund Balances:					
July 1, 2012	11,618,481	11,618,481	11,618,481	-	-
June 30, 2013	\$ 11,807,867	\$ 5,797,501	\$ 5,797,501	\$ (6,010,366)	\$ -

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 268,263
National school lunch program	10.555	674,621
Total child nutrition cluster		<u>942,884</u>
Total passed-through Mississippi Department of Education		<u>942,884</u>
Total U.S. Department of Agriculture		<u>942,884</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed through Monroe County Board of Supervisors:		
Community Development Block Grant	14.228	348,670
Total U.S. Department of Housing and Urban Development		<u>348,670</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	48,589
Total Federal Communications Commission		<u>48,589</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	435,702
Career and technical education - basic grants to states	84.048	62,726
Rural education	84.358	68,213
Improving teacher quality state grants	84.367	102,297
Subtotal		<u>668,938</u>
Special education cluster:		
Special education - grants to states	84.027	481,907
Special education - preschool grants	84.173	15,828
Total special education cluster		<u>497,735</u>
Total passed-through Mississippi Department of Education		<u>1,166,673</u>
Total U.S. Department of Education		<u>1,166,673</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	58,202
Total passed-through Mississippi Department of Education		<u>58,202</u>
Total U.S. Department of Health and Human Services		<u>58,202</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	704,793
Hazard Mitigation Grant	97.039	1,283,590
Total passed-through Mississippi Emergency Management Agency		<u>1,988,383</u>
Total Department of Homeland Security		<u>1,988,383</u>
Total for All Federal Awards		<u>\$ 4,553,401</u>

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,171,269	11,276,011	562,956	997,698	1,334,604
Other	12,364,706	1,228,380	354,685	24,961	10,756,680
Total	<u>\$ 26,535,975</u>	<u>12,504,391</u>	<u>917,641</u>	<u>1,022,659</u>	<u>12,091,284</u>
Total number of students *	<u>2,290</u>				
Cost per student	<u>\$ 11,588</u>	<u>5,460</u>	<u>401</u>	<u>447</u>	<u>5,280</u>

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

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

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

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

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

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

OTHER INFORMATION

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 4,622,931	\$ 4,588,842	\$ 4,278,133	\$ 4,219,626
State sources	10,211,863	10,548,965	9,767,022	9,892,993
Federal sources	283,400	485,267	662,212	223,906
Total Revenues	15,118,194	15,623,074	14,707,367	14,336,525
Expenditures:				
Instruction	9,644,808	9,550,599	8,268,893	9,064,008
Support services	5,315,267	7,454,382	6,437,926	4,218,624
Facilities acquisition and construction	1,523,451	2,033,362		
Debt service:				
Principal	36,892	175,896	1,154	6,092
Interest	35,347	43,550	24,284	316
Other		8,257		
Total Expenditures	16,555,765	19,266,046	14,732,257	13,289,040
Excess (Deficiency) of Revenues over (under) Expenditures	(1,437,571)	(3,642,972)	(24,890)	1,047,485
Other Financing Sources (Uses):				
Bonds and notes issued			875,000	58,011
Capital leases issued			808,482	
Insurance recovery	5,632	9,275,854	3,755,848	44,012
Sale of other property		250	48,000	63,592
Operating transfers in	1,651,242	967,902	405,100	274,964
Operating transfers out	(6,040,283)	(2,694,713)	(748,118)	(849,418)
Total Other Financing Sources (Uses)	(4,383,409)	7,549,293	5,144,312	(408,839)
Net Change in Fund Balances	(5,820,980)	3,906,321	5,119,422	638,646
Fund Balances:				
Beginning of period, as previously reported	11,618,481	7,712,160	2,592,738	1,934,423
Prior period adjustments				19,669
Beginning of period, as restated	11,618,481	7,712,160	2,592,738	1,954,092
End of Period	\$ 5,797,501	\$ 11,618,481	\$ 7,712,160	\$ 2,592,738

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 5,275,304	\$ 5,222,747	\$ 4,861,989	\$ 4,823,897
State sources	11,048,543	11,404,902	10,682,085	11,108,960
Federal sources	4,730,010	3,888,664	3,900,246	3,283,176
Sixteenth section sources	135,493	342,373	147,796	343,078
Total Revenues	21,189,350	20,858,686	19,592,116	19,559,111
Expenditures:				
Instruction	11,260,216	11,487,956	11,025,244	12,114,286
Support services	6,079,928	8,271,687	7,366,680	5,177,006
Noninstructional services	1,287,062	1,156,252	1,209,326	1,158,925
Sixteenth section	24,265	34,085	6,368	30,781
Facilities acquisition and construction	7,270,624	4,001,455	807,454	
Debt service:				
Principal	417,366	540,211	369,376	346,092
Interest	194,014	213,253	111,646	96,736
Other	2,500	11,757	22,159	
Total Expenditures	26,535,975	25,716,656	20,918,253	18,923,826
Excess (Deficiency) of Revenues over (under) Expenditures	(5,346,625)	(4,857,970)	(1,326,137)	635,285
Other Financing Sources (Uses):				
Bonds and notes issued			1,935,000	58,011
Capital leases issued			808,482	
Insurance recovery	5,632	9,275,854	3,755,848	44,012
Payment to QSCB debt escrow agent	(62,124)	(62,311)		
Payment held by QSCB debt escrow agent	62,124	62,311		
Sale of other property		341	48,000	63,592
Operating transfers in	9,602,110	4,234,409	1,251,063	1,124,382
Operating transfers out	(9,602,110)	(4,234,409)	(1,251,063)	(1,124,382)
Total Other Financing Sources (Uses)	5,632	9,276,195	6,547,330	165,615
Net Change in Fund Balances	(5,340,993)	4,418,225	5,221,193	800,900
Fund Balances:				
Beginning of period, as previously reported	15,384,741	10,961,466	5,728,005	4,911,188
Prior period adjustments				19,669
Beginning of period	15,384,741	10,961,466	5,728,005	4,930,857
Increase (Decrease) in reserve for inventory	(456)	5,050	12,268	(3,752)
End of Period	\$ 10,043,292	\$ 15,384,741	\$ 10,961,466	\$ 5,728,005

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

James L. Stafford, CPA	Robin Y. McCormick, CPA/PFS
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Wanda S. Holley, CPA	Jason D. Brooks, CPA
	Robert E. Cordle, Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Superintendent and School Board
Monroe County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Monroe County School District's basic financial statements, and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Watkins, Ward, and Stafford, PLLC
Okolona, Mississippi
January 15, 2014

Watkins, Ward and Stafford, PLLC



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

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

Superintendent and School Board
 Monroe County School District

Report on Compliance for Each Major Federal Program

We have audited the Monroe County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Monroe County School District's major federal programs for the year ended June 30, 2013. The Monroe County 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 each of its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Monroe County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance. In planning and performing our audit of compliance, we considered Monroe County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test

and report on internal over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Monroe County School District's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Watkins, Ward and Stafford, PLLC
Okolona, Mississippi
January 15, 2014

Watkins, Ward and Stafford, PLLC

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



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

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Superintendent and School Board
Monroe County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Monroe County School District as of and for the year ended June 30, 2013, which collectively comprise Monroe County School District's basic financial statements and have issued our report thereon dated January 15, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$171 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding:

Section 37-7-13(b), Miss. Code Ann. (1972), requires that for purchases which involve an expenditure of more than Five Thousand Dollars (\$5,000) but not more than Fifty Thousand Dollars (\$50,000), exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained.

During our audit of activity fund expenditures, we noted a purchase in the amount of \$5,600 for the building and installation of an iron fence. The school district should have received two (2) quote bids for the project and accepted the lowest and best bid; however, the school district only received one (1) quote bid and awarded the project to the only bidder.

Payment of the expenditure, without receiving two (2) quote bids is a violation of Section 37-7-13(b), Miss. Code Ann. (1972).

Recommendation:

We recommend that the district comply with Section 37-7-13(b), Miss. Code Ann. (1972), which requires that the school district receive two (2) quote bids for purchases over Five Thousand Dollars (\$5,000) but not more than Fifty Thousand Dollars (\$50,000).

Response:

The Business Manager stated that in the future care will be taken to ensure that all Purchase Clerks, involved in activity fund expenditures, be made aware of the purchase law requirements and that proper quotes will be received before activity funds are expended.

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

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

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

Watkins, Ward and Stafford, PLLC
Okolona, Mississippi
January 15, 2014

Watkins, Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 14.228 | Community Development Block Grant |
| 97.036 | Disaster Grant – Public Assistance |
| 97.039 | Hazard Mitigation Grant |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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