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Picayune School District

Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

**Picayune School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Picayune 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 Picayune School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Picayune 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.

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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 previously 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 Picayune 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 8-18 and 51-53 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 Picayune School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the Picayune 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 Picayune School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 15, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The following discussion and analysis of Picayune 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 \$876,048, including a prior period adjustment of \$642, which represents a 5% increase from fiscal year 2012. Total net position for 2012 increased \$786,729, including a prior period adjustment of \$334, which represents a 5% increase from fiscal year 2011.
- General revenues amounted to \$24,844,086 and \$24,090,256, or 76% and 74% 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 \$8,013,119, or 24% of total revenues for 2013, and \$8,642,002, or 26% of total revenues for 2012.
- The District had \$31,981,799 and \$31,945,863 in expenses for fiscal years 2013 and 2012; only \$8,013,119 for 2013 and \$8,642,002 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$24,844,086 for 2013 and \$24,090,256 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$24,383,425 in revenues and \$21,994,217 in expenditures for 2013, and \$24,040,062 in revenues and \$22,090,439 in expenditures for 2012. The General Fund's fund balance increased by \$1,135,608, including a prior period adjustment of \$642 from 2012 to 2013, and increased by \$614,324, including a prior period adjustment of \$84,261 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$47,093 for 2012 and decreased by \$306,939 for 2012. The increase for 2013 was mainly due to the additions to construction in progress.
- Long-term debt decreased by \$217,132 for 2013 and decreased by \$358,831 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$27,113 for 2013 and increased by \$477 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Government-wide Financial Statements

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

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

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

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

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Picayune 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 \$17,196,169 as of June 30, 2013.

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

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

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 8,895,833	5,894,873	51%
Restricted assets	1,665,887	3,975,800	(58)%
Capital assets, net	<u>15,170,996</u>	<u>15,123,903</u>	0%
Total assets	<u>25,732,716</u>	<u>24,994,576</u>	3%
Current liabilities	441,051	361,827	22%
Long-term debt outstanding	<u>8,095,496</u>	<u>8,312,628</u>	(3)%
Total liabilities	<u>8,536,547</u>	<u>8,674,455</u>	(2)%
Net position:			
Net investment in capital assets	7,289,751	9,734,040	(25)%
Restricted	4,594,748	2,994,213	53%
Unrestricted	<u>5,311,670</u>	<u>3,591,868</u>	48%
Total net position	<u>\$ 17,196,169</u>	<u>16,320,121</u>	5%

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 \$47,093.
- The principal retirement of \$244,245 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$32,857,205 and \$32,732,258, respectively. The total cost of all programs and services was \$31,981,799 for 2013 and \$31,945,863 for 2012.

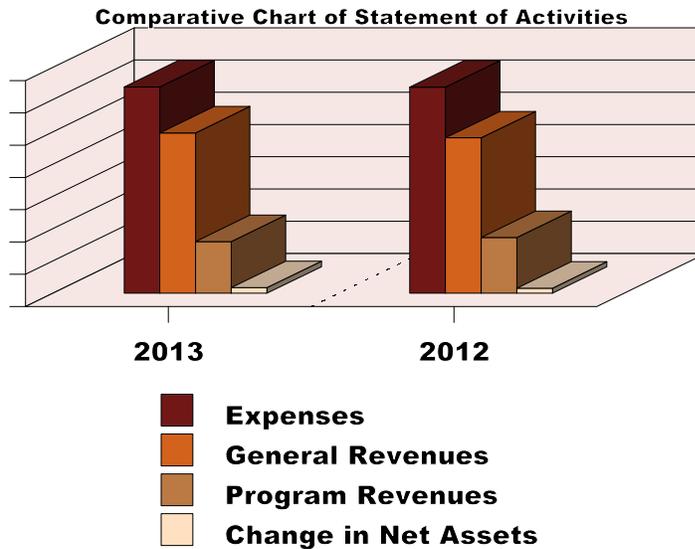
Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 722,930	773,670	(7)%
Operating grants and contributions	7,290,189	7,868,332	(7)%
General revenues:			
Property taxes	8,720,711	8,261,535	6%
Grants and contributions not restricted	15,410,358	15,362,926	0%
Unrestricted investment earnings	218,988	210,126	4%
Sixteenth section sources	228,853	160,775	42%
Other	<u>265,176</u>	<u>94,894</u>	179%
Total general revenues	<u>24,844,086</u>	<u>24,090,256</u>	3%
Total revenues	<u>32,857,205</u>	<u>32,732,258</u>	0%
Expenses:			
Instruction	16,945,608	17,364,039	(2)%
Support services	12,485,430	12,259,168	2%
Non-instructional	2,279,304	2,234,141	2%
Sixteenth section	13,137	15,813	(17)%
Interest on long-term liabilities	<u>258,320</u>	<u>72,702</u>	255%
Total expenses	<u>31,981,799</u>	<u>31,945,863</u>	0%
Increase (Decrease) in net position	<u>875,406</u>	<u>786,395</u>	(11)%
Net Position, July 1, as previously	16,320,121	15,533,392	5%
Prior Period Adjustment	<u>642</u>	<u>334</u>	92%
Net Position, July 1, as restated	<u>16,320,763</u>	<u>15,533,726</u>	5%
Net Position, June 30	<u>\$ 17,196,169</u>	<u>16,320,121</u>	5%

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013



Governmental activities

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

Table 3
Net Cost of Governmental Activities

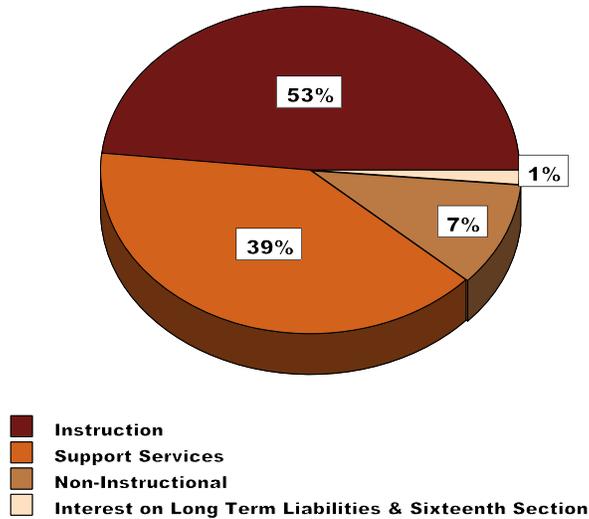
	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 16,945,608	17,364,039	(2)%
Support services	12,485,430	12,259,168	2%
Non-instructional	2,279,304	2,234,141	2%
Sixteenth section	13,137	15,813	(17)%
Interest on long-term liabilities	258,320	72,702	255%
Total expenses	\$ 31,981,799	31,945,863	0%

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Net (Expense) Revenue

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Instruction	\$ (13,147,132)	(13,062,924)	1%
Support services	(10,604,400)	(10,227,472)	4%
Non-instructional	54,309	75,050	(28)%
Sixteenth section	(13,137)	(15,813)	(17)%
Interest on long-term liabilities	<u>(258,320)</u>	<u>(72,702)</u>	255%
Total net (expense) revenue	\$ <u><u>(23,968,680)</u></u>	<u><u>(23,303,861)</u></u>	3%

Expenses per Statement of Activities



- Net cost of governmental activities (\$23,968,680 for 2013 and \$23,303,861 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$8,720,711 for 2013 and \$8,261,535 for 2012) and state and federal revenues (\$15,410,358 for 2013 and \$15,362,926 for 2012). In addition, there was \$228,853 and \$160,775 in Sixteenth Section sources for 2013 and 2012 respectively.
- Investment earnings amounted to \$218,988 for 2013 and \$210,126 for 2012.

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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 \$10,154,327, an increase of \$608,698, which includes a prior period adjustment of \$642 and an increase in inventory of \$14,290. \$5,316,190 or 52% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,838,137 or 48% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,135,608, which includes a prior period adjustment of \$642. The fund balance of Other Governmental Funds showed an increase in the amount of \$613,780, which includes an increase in inventory of \$14,290. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
Disaster Relief Grant Fund	no increase or decrease
Expansion E HS 2011 - 2012 Fund	no increase or decrease
SS/RP/Nich ARRA Construction Fund	(1,140,690)

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.

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$23,624,048, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$368,194 from 2012. Total accumulated depreciation as of June 30, 2013, was \$8,453,052, and total depreciation expense for the year was \$623,676, resulting in total net capital assets of \$15,170,996.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 421,785	421,785	0%
Construction in progress	975,414	3,558,850	(73)%
Buildings	10,540,837	7,546,862	40%
Building improvements	661,105	695,175	(5)%
Improvements other than buildings	972,348	1,025,847	(5)%
Mobile equipment	1,046,472	1,292,089	(19)%
Furniture and equipment	553,035	580,393	(5)%
Leased property under capital leases	0	2,902	(100)%
Total	<u>\$ 15,170,996</u>	<u>15,123,903</u>	0%

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

Debt Administration. At June 30, 2013, the District had \$8,095,496 in outstanding long-term debt, of which \$249,245 is due within one year. The liability for compensated absences increased \$27,113 from the prior year.

Picayune School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 751,000	865,000	(13)%
Qualified zone academy bonds payable	1,000,000	1,000,000	0%
Qualified school construction bonds payable	6,000,000	6,000,000	0%
Shortfall notes payable	130,245	260,490	(50)%
Compensated absences payable	214,251	187,138	14%
Total	\$ <u>8,095,496</u>	<u>8,312,628</u>	(3)%

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

CURRENT ISSUES AND OTHER INFORMATION

The Picayune 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. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2012-2013 year increased 9% to 3,414 students from prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Picayune School District, 706 Goodyear Blvd., Picayune, MS 39466.

FINANCIAL STATEMENTS

PICAYUNE SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	7,592,539
Due from other governments		1,233,978
Inventories		42,473
Deferred bond issue costs		26,843
Restricted assets		1,665,887
Capital assets, non-depreciable:		
Land		421,785
Construction in progress		975,414
Capital assets, net of accumulated depreciation:		
Buildings		10,540,837
Building improvements		661,105
Improvements other than buildings		972,348
Mobile equipment		1,046,472
Furniture and equipment		553,035
Total Assets		25,732,716
Liabilities		
Accounts payable and accrued liabilities		380,550
Interest payable on long-term liabilities		60,501
Long-term liabilities, due within one year:		
Capital related liabilities		249,245
Long-term liabilities, due beyond one year:		
Capital related liabilities		7,632,000
Non-capital related liabilities		214,251
Total Liabilities		8,536,547
Net Position		
Net investment in capital assets		7,289,751
Restricted for:		
Expendable:		
School-based activities		1,197,228
Debt service		1,697,719
Capital improvements		1,334,447
Forestry improvements		173,285
Unemployment benefits		99,190
Non-Expendable:		
Sixteenth section		92,879
Unrestricted		5,311,670
Total Net Position	\$	17,196,169

PICAYUNE 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		
Governmental Activities:					
Instruction	\$ 16,945,608	\$ 248,525	\$ 3,549,951		\$ (13,147,132)
Support services	12,485,430		1,881,030		(10,604,400)
Non-instructional	2,279,304	474,405	1,859,208		54,309
Sixteenth section	13,137				(13,137)
Interest on long-term liabilities	258,320				(258,320)
Total Governmental Activities	\$ 31,981,799	\$ 722,930	\$ 7,290,189		\$ (23,968,680)

General Revenues:

Taxes:

General purpose levies	8,269,198
Debt purpose levies	451,513

Unrestricted grants and contributions:

State	15,301,881
Federal	108,477
Unrestricted investment earnings	218,988
Sixteenth section sources	228,853
Other	265,176

Total General Revenues	<u>24,844,086</u>
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Change in Net Position	<u>875,406</u>
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Net Position - Beginning, as previously reported	16,320,121
Prior Period Adjustments	642
Net Position - Beginning, as restated	<u>16,320,763</u>
Net Position- Ending	<u>\$ 17,196,169</u>

PICAYUNE SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Disaster Relief Grant Fund	Expansion E HS 2011-2012 Fund	SS/RP/Nich ARRA Construction		
Assets							
Cash and cash equivalents	\$ 4,587,939				1,390,473	2,093,446	8,071,858
Cash with fiscal agents						695	695
Investments						1,185,873	1,185,873
Due from other governments	402,775	210,126	179,176	138,919		302,982	1,233,978
Due from other funds	774,420					37,382	811,802
Inventories						42,473	42,473
Total assets	\$ 5,765,134	210,126	179,176	138,919	1,390,473	3,662,851	11,346,679
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 228,669	12,197			56,026	83,658	380,550
Due to other funds	37,382	197,929	179,176	138,919		258,396	811,802
Total Liabilities	266,051	210,126	179,176	138,919	56,026	342,054	1,192,352
Fund Balances:							
Nonspendable:							
Inventory						42,473	42,473
Permanent fund principal						92,879	92,879
Restricted:							
Debt service						1,758,220	1,758,220
Capital projects					1,334,447		1,334,447
Unemployment benefits						99,190	99,190
Forestry improvements						173,285	173,285
Food service						536,794	536,794
Sixteenth section interest						535,883	535,883
Other commitments						82,073	82,073
Assigned:							
Other purposes	182,893						182,893
Unassigned	5,316,190						5,316,190
Total Fund Balances	5,499,083	-	-	-	1,334,447	3,320,797	10,154,327
Total Liabilities and Fund Balances	\$ 5,765,134	210,126	179,176	138,919	1,390,473	3,662,851	11,346,679

PICAYUNE SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds	\$	10,154,327
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.		
Land	\$	421,785
Construction in progress		975,414
Buildings		14,810,056
Building improvements		851,768
Improvements other than buildings		1,417,209
Mobile equipment		3,661,215
Furniture and equipment		1,486,601
Accumulated depreciation		<u>(8,453,052)</u>
		15,170,996
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
		(8,095,496)
3. Governmental fund recognize interest on long-term debt when it becomes due, however the Statement of Net Position recognizes interest as it accrues.		
		(60,501)
4. The costs associated with the issuance of bonds are treated as an expenditure in the governmental funds; however, these costs are a deferred charge in the Statement of Net Position. The reconciling amount will be the total amount of the bond issue costs less accumulated amortization.		
		26,843
Net position of governmental activities	\$	<u><u>17,196,169</u></u>

PICAYUNE SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	Disaster Relief Grant Fund	Expansion E HS 2011-2012 Fund	SS/RP/Nich ARRA Construction	Other Governmental Funds	
Revenues:							
Local sources	\$ 8,760,339				39,570	1,113,281	9,913,190
State sources	15,477,624					718,876	16,196,500
Federal sources	145,462	1,431,127		918,274		4,009,185	6,504,048
Sixteenth section sources						243,468	243,468
Total Revenues	24,383,425	1,431,127	-	918,274	39,570	6,084,810	32,857,206
Expenditures:							
Instruction	12,603,462	1,051,520		367,039		2,713,355	16,735,376
Support services	9,389,810	359,585		551,395	469,146	1,388,374	12,158,310
Noninstructional services	945	20,022			3,056	2,159,415	2,183,438
Facilities acquisition and construction					678,685	13,137	691,822
Debt service:							
Principal						244,245	244,245
Interest						227,736	227,736
Other					29,373	4,339	33,712
Total Expenditures	21,994,217	1,431,127	-	918,434	1,180,260	6,750,601	32,274,639
Excess (Deficiency) of Revenues over (under) Expenditures	2,389,208	-	-	(160)	(1,140,690)	(665,791)	582,567
Other Financing Sources (Uses):							
Sale of transportation equipment	11,199						11,199
Operating transfers in	2,058			160		1,453,962	1,456,180
Other financing sources						271,185	271,185
Operating transfers out	(1,267,499)					(188,681)	(1,456,180)
Other financing uses						(271,185)	(271,185)
Total Other Financing Sources (Uses)	(1,254,242)	-	-	160	-	1,265,281	11,199
Net Change in Fund Balances	1,134,966	-	-	-	(1,140,690)	599,490	593,766
Fund Balances:							
July 1, 2012 - Beginning, as previously reported	4,363,475				2,475,137	2,707,017	9,545,629
Prior period adjustments	642						642
July 1, 2012 - Beginning, as restated	4,364,117				2,475,137	2,707,017	9,546,271
Increase (Decrease) in inventory						14,290	14,290
June 30, 2013	\$ 5,499,083	-	-	-	1,334,447	3,320,797	10,154,327

PICAYUNE 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	\$	593,766
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets.</p>		
Capital outlays	704,388	
Depreciation expense	(623,676)	80,712
<p>2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position.</p>		
		244,245
<p>3. Governmental fund recognize interest on long-term when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.</p>		
Decrease in accrued interest on debt		5,272
<p>4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.</p>		
Losses on sales of capital assets		(22,420)
Proceeds from sale of assets		(11,199)
<p>5. Change in the inventory is reported as an adjustment to fund balance in the governmental funds, but non-instructional expenditures is affected in the Statement of Activities.</p>		
		14,290
<p>6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:</p>		
Change in Compensated Absences		(27,113)
<p>7. Governmental funds report the costs associated with the issuance of refunding bonds as an expenditure in the year purchased. However, in the Statement of Activities, the costs of refunding bonds are amortized over the life of the new bond issue. This is the current year amortization of those costs.</p>		
		(2,147)
		875,406
Change in net position of governmental activities	\$	875,406

PICAYUNE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2013

Exhibit E

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 139,032	\$ 1,530,583
Total Assets	<u>\$ 139,032</u>	<u>\$ 1,530,583</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 1,453,777
Due to student clubs		76,806
Total Liabilities		<u>\$ 1,530,583</u>
Net Position		
Reserve for endowments	\$ 139,032	
Total Net Position	<u>\$ 139,032</u>	

PICAYUNE SCHOOL DISTRICT

Fiduciary Funds

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

Exhibit F

	<u>Private Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 4,084
Contributions and donations from private sources	<u>58,063</u>
Total Additions	<u>62,147</u>
Deductions	
Scholarships awarded	<u>10,713</u>
Total Deductions	<u>10,713</u>
Changes in Net Position	51,434
Net Position	
July 1, 2012	<u>87,598</u>
June 30, 2013	<u><u>\$ 139,032</u></u>

Notes to the Financial Statements

For the Year Ended
June 30, 2013

Picayune School District

Notes to the Financial Statements
For the 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 Picayune 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, Picayune 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.

Picayune School District

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

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is the school district's fund that accounts for the monies received from the Title I program, which serves to fund remedial math and reading services to low-income, program eligible students.

Disaster Relief Grant Fund - This fund is used to account for federal funds related to Hurricane Katrina.

Expansion E HS 2011-2012 Fund - This fund is used to account for federal funds related to Expansion Early Head Start Program.

SS/RP/Nich ARRA Construction Fund - This fund accounts for the ARRA Quality School Construction Bond proceeds and the related Southside, Roseland Park, and Nicholson Elementary construction/renovation.

All other governmental funds not meeting the criteria established for major funds

Picayune School District

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

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 fund include the following:

Scholarship Funds - This fund serves to receive contributions and account for expenditures for scholarships.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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.

Picayune School District

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

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

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

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

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

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

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

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

Picayune School District

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other

Picayune School District

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

obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted

Picayune School District

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

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

6. Capital Assets

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

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

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

Picayune School District

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal 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.

Picayune School District

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

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

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the fund balance commitments being approved by the School Board during School Board meeting and being documented in the minutes of the meetings of 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 District's management pursuant to authorization established by the District's School Board.

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

Picayune School District

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

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 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 are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 8% of the District Maintenance revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits 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

Picayune School District

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

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 \$8,071,858 and \$1,669,615, 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 \$10,610,223 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$695. This amount is shown as restricted assets on Exhibit A.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government Securities	AAA	less than a year	<u>\$ 1,185,873</u>

This amount is shown as Restricted Assets on Exhibit A.

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.

Picayune School District

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

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 investments 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.

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

Issuer	Fair Value	% of Total Investments
U.S. Government Securities	\$ 1,185,873	100%

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 197,929
	Disaster Relief Grant Fund	179,176
	Expansion E HS 2011-2012 Fund	138,919
	Other Governmental Funds	258,396
Other Governmental Funds	General Fund	37,382
Total		\$ <u>811,802</u>

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end.

Picayune School District

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

B. Inter-fund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,058
Expansion E HS 2011-2012 Fund	General Fund	160
Other Governmental Funds	General Fund	1,267,339
Other Governmental Funds	Other Governmental Funds	186,623
Total		<u>\$ 1,456,180</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfers out of the governmental funds was a result of normal business operations.

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$92,878 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents and investment balance, totaling \$695 and \$798,664, respectively, of the QZAB Debt Repayment Fund.

In addition, the restricted assets represent the cash balance, totaling \$78,967, \$301,332 and \$6,142, respectively, of the QZAB Note Retirement Fund (1M), the QSCB Note Retirement Fund and the QSCB Note Retirement 2011 Fund.

In addition, the restricted assets represent the investment balance, totaling \$125,012 and \$262,197, respectively, of the Quality School Construction Bond Fund and the Quality School Construction Bond 2011 Fund.

Picayune School District

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

Note 5 - Capital Assets

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

	Balance 7-1-2012	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>						
Land	\$ 421,785					421,785
Construction in progress	3,558,850	678,686		(3,262,122)		975,414
Total non-depreciable capital assets	3,980,635	678,686	0	(3,262,122)	0	1,397,199
<u>Depreciable capital assets:</u>						
Buildings	11,547,934			3,262,122		14,810,056
Building improvements	851,768					851,768
Improvements other than buildings	1,417,209					1,417,209
Mobile equipment	3,997,409		336,194			3,661,215
Furniture and equipment	1,431,880	25,702			29,019	1,486,601
Leased property under capital leases	29,019				(29,019)	0
Total depreciable capital assets	19,275,219	25,702	336,194	3,262,122	0	22,226,849
<u>Less accumulated depreciation for:</u>						
Buildings	4,001,072	268,147				4,269,219
Building improvements	156,593	34,070				190,663
Improvements other than buildings	391,362	53,499				444,861
Mobile equipment	2,705,320	211,998	302,575			2,614,743
Furniture and equipment	851,487	55,962			26,117	933,566
Leased property under capital leases	26,117				(26,117)	0
Total accumulated depreciation	8,131,951	623,676	302,575	0	0	8,453,052
Total depreciable capital assets, net	11,143,268	(597,974)	33,619	3,262,122	0	13,773,797
Governmental activities capital assets, net	\$ 15,123,903	80,712	33,619	0	0	15,170,996

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 220,306
Support services	300,128
Non-instructional	103,242
Total depreciation expense	\$ 623,676

Picayune School District

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

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
Entrance at South Side	\$ 53,289	\$ 172,617
Nicholson Multipurpose Building	629,364	27,082
Roseland Park	292,761	125,126
Total construction in progress	<u>\$ 975,414</u>	<u>\$ 324,825</u>

Construction projects included in governmental activities are funded from Qualified School Construction Bonds and District Maintenance.

Note 6 - Long-term Liabilities

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

	Balance 7-1-2012	Additions	Reductions	Balance 6-30-2013	Amounts due within one year
A. Three mill notes payable	\$ 865,000		114,000	751,000	119,000
B. Qualified zone academy bonds	1,000,000			1,000,000	
C. Qualified school construction bonds payable	6,000,000			6,000,000	
D. Shortfall notes payable	260,490		130,245	130,245	130,245
E. Compensated absences payable	187,138	27,113		214,251	
Total	<u>\$ 8,312,628</u>	<u>27,113</u>	<u>244,245</u>	<u>8,095,496</u>	<u>249,245</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note	2.7-4.2%	08-01-04	08-01-18	\$ <u>1,500,000</u>	<u>751,000</u>

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

Picayune School District

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

Year Ending June 30		Principal	Interest	Total
2014	\$	119,000	28,438	147,438
2015		125,000	23,556	148,556
2016		130,000	18,359	148,359
2017		136,000	12,872	148,872
2018		143,000	7,083	150,083
2019		98,000	2,058	100,058
Total	\$	<u>751,000</u>	<u>92,366</u>	<u>843,366</u>

This debt will be retired from the Three Mill Note Retirement Fund.

B. Qualified zone academy bonds payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy bond, Series 2001	0.00%	08-12-04	06-30-19	\$ <u>1,000,000</u>	<u>1,000,000</u>

C. Qualified school construction bonds payable

As more fully explained in Note 11, 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
QSCB Series 2010	0.84%	01-15-10	08-15-24	\$ 3,000,000	3,000,000
QSCB Series 2011	0.00%	05-01-11	05-01-26	3,000,000	3,000,000
				<u>\$ 6,000,000</u>	<u>6,000,000</u>

D. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note	2.90%	08-10-10	08-10-13	\$ <u>390,735</u>	<u>130,245</u>

Picayune School District

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ <u>130,245</u>	<u>3,777</u>	<u>134,022</u>

This debt will be retired from the District Maintenance Fund.

E. 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 - 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 \$2,653,153, \$2,372,139, and \$2,390,973, respectively, which equaled the required contributions for each year.

Note 8 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental

Picayune School District

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

payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2014	\$	106,334
2015		105,378
2016		99,432
2017		99,432
2018		99,432
2019 - 2023		497,160
2024 - 2028		497,009
2029 - 2033		471,686
2034 - 2038		276,688
Total	\$	<u>2,252,551</u>

Note 9 - Risk Management

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

Note 10 - Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated January 15, 2005.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before October 16th. The amount on deposit at June 30, 2013 was \$799,359. The amount accumulated in the sinking fund at the end of the ten 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.

Picayune School District

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

Year Ending June 30	Amount
2014	\$ 80,690
2015	80,690
Total	\$ <u>161,380</u>

Note 11 - 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 \$387,209. 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.

Picayune School District

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

Series 2010

Year Ending June 30	Principal
2014	\$ 60,000
2015	55,000
2016	135,000
2017	135,000
2018	135,000
2019 - 2023	1,565,000
2024 - 2025	<u>790,000</u>
Total	\$ <u><u>2,875,000</u></u>

Series 2011

Year Ending June 30	Principal
2014	\$ 130,000
2015	130,000
2016	170,000
2017	170,000
2018	170,000
2019 - 2023	1,135,000
2024 - 2026	<u>835,000</u>
Total	\$ <u><u>2,740,000</u></u>

Total

Year Ending June 30	Principal
2014	\$ 190,000
2015	185,000
2016	305,000
2017	305,000
2018	305,000
2019 - 2023	2,700,000
2024 - 2026	<u>1,625,000</u>
Total	\$ <u><u>5,615,000</u></u>

Picayune School District

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

Note 12 - Prior Period Adjustments

A summary of significant net position/fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. See explanation below.	<u>\$ 642</u>

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

Fund	Explanation	Amount
General Fund	An adjustment was made to record prior year revenue.	<u>\$ 642</u>

Note 13 - 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 Picayune School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 8,781,502	8,760,339	8,760,339	(21,163)	0
State sources	15,420,067	15,477,624	15,477,624	57,557	0
Federal sources	179,175	145,462	145,462	(33,713)	0
Total Revenues	<u>24,380,744</u>	<u>24,383,425</u>	<u>24,383,425</u>	<u>2,681</u>	<u>0</u>
Expenditures:					
Instruction	13,112,458	12,603,462	12,603,462	508,996	0
Support services	9,571,765	9,313,846	9,389,810	257,919	(75,964)
Noninstructional services	6,000	945	945	5,055	0
Facilities acquisition and construction	133,403	75,964	0	57,439	75,964
Total Expenditures	<u>22,823,626</u>	<u>21,994,217</u>	<u>21,994,217</u>	<u>829,409</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Under Expenditures	<u>1,557,118</u>	<u>2,389,208</u>	<u>2,389,208</u>	<u>832,090</u>	<u>0</u>
Other Financing Sources (Uses):					
Sale of transportation equipment	1,000	11,199	11,199	10,199	0
Transfers In	3,344,693	3,369,786	2,058	25,093	(3,367,728)
Transfers Out	(4,870,502)	(4,635,227)	(1,267,499)	235,275	3,367,728
Total Other Financing Sources (Uses)	<u>(1,524,809)</u>	<u>(1,254,242)</u>	<u>(1,254,242)</u>	<u>270,567</u>	<u>0</u>
Net Change in Fund Balances	<u>32,309</u>	<u>1,134,966</u>	<u>1,134,966</u>	<u>1,102,657</u>	<u>0</u>
Fund Balances:					
July 1, 2012, as previously reported	2,898,007	4,363,475	4,363,475	1,465,468	0
Prior period adjustment	0	642	642	642	0
July 1, 2012, as restated	<u>2,898,007</u>	<u>4,364,117</u>	<u>4,364,117</u>	<u>1,466,110</u>	<u>0</u>
June 30, 2013	<u>\$ 2,930,316</u>	<u>5,499,083</u>	<u>5,499,083</u>	<u>2,568,767</u>	<u>0</u>

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

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

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,389,611	1,431,126	1,431,127	41,515	1
Total Revenues	<u>1,389,611</u>	<u>1,431,126</u>	<u>1,431,127</u>	<u>41,515</u>	<u>1</u>
Expenditures:					
Instruction	927,455	1,051,520	1,051,520	(124,065)	0
Support services	460,053	359,585	359,585	100,468	0
Noninstructional services	13,896	20,022	20,022	(6,126)	0
Total Expenditures	<u>1,401,404</u>	<u>1,431,127</u>	<u>1,431,127</u>	<u>(29,723)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Under Expenditures	<u>(11,793)</u>	<u>(1)</u>	<u>0</u>	<u>11,792</u>	<u>1</u>
Net Change in Fund Balances	<u>(11,793)</u>	<u>(1)</u>	<u>0</u>	<u>11,792</u>	<u>1</u>
Fund Balances:					
July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2013	<u><u>\$ (11,793)</u></u>	<u><u>(1)</u></u>	<u><u>0</u></u>	<u><u>11,792</u></u>	<u><u>1</u></u>

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

PICAYUNE SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule
 Expansion E HS 2011-2012 Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 921,741	918,274	918,274	(3,467)	0
Total Revenues	<u>921,741</u>	<u>918,274</u>	<u>918,274</u>	<u>(3,467)</u>	<u>0</u>
Expenditures:					
Instruction	393,492	367,039	367,039	26,453	0
Support services	528,249	551,395	551,395	(23,146)	0
Total Expenditures	<u>921,741</u>	<u>918,434</u>	<u>918,434</u>	<u>3,307</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Under Expenditures	<u>0</u>	<u>(160)</u>	<u>(160)</u>	<u>(160)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers in	0	160	160	160	0
Total other financing sources (uses)	<u>0</u>	<u>160</u>	<u>160</u>	<u>160</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2012	0	0	0	0	0
June 30, 2013	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Picayune School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

Picayune School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 453,172
National School Lunch Program	10.555	1,329,771
Summer Food Service Program for Children	10.559	103,250
Total Child Nutrition Cluster		<u>1,886,193</u>
Total passed-through the Mississippi Department of Education		<u>1,886,193</u>
Total U.S. Department of Agriculture		<u>1,886,193</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	59,034
Total U.S. Department of Defense		<u>59,034</u>
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	95,364
Total Federal Communications Commission		<u>95,364</u>
<u>U.S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,499,883
Career and Technical Education - Basic Grants to States	84.048	47,204
Educational Technology State Grants	84.318	29,150
Rural Education	84.358	67,372
Improving Teacher Quality State Grants	84.367	231,664
Sub-total		<u>1,875,273</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	830,153
Special Education - Preschool Grants	84.173	42,068
Total Special Education Cluster		<u>872,221</u>
Total passed-through the Mississippi Department of Education		<u>2,747,494</u>
Total U.S. Department of Education		<u>2,747,494</u>
<u>U. S. Department of Health and Human Services</u>		
Passed through the Administration for Children and Families		
Head Start	93.600	1,665,865
Total passed-through the Administration for Children and Families		<u>1,665,865</u>
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	11,243
Total passed-through the Mississippi Department of Education		<u>11,243</u>
Total U.S. Department of Health and Human Services		<u>1,677,108</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u>6,465,193</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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.

Picayune School District

Schedule 2

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	\$ 25,187,435	17,917,926	1,048,263	2,227,023	3,994,223
Other	7,087,204	1,785,988	256,578	66,509	4,978,129
Total	\$ <u>32,274,639</u>	<u>19,703,914</u>	<u>1,304,841</u>	<u>2,293,532</u>	<u>8,972,352</u>
Total number of students *	<u>3,414</u>				
Cost per student	\$ <u>9,454</u>	<u>5,772</u>	<u>382</u>	<u>672</u>	<u>2,628</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 functions: 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

PICAYUNE SCHOOL DISTRICT

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

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 8,760,339	8,413,156	8,370,816	8,426,856
State sources	15,477,624	15,083,381	14,297,185	15,033,363
Federal sources	145,462	543,525	533,657	137,501
Total Revenues	<u>24,383,425</u>	<u>24,040,062</u>	<u>23,201,658</u>	<u>23,597,720</u>
Expenditures:				
Instruction	12,603,462	12,655,901	12,651,126	14,049,533
Support services	9,389,810	9,284,971	9,896,034	9,845,175
Noninstructional services	945	5,232	55,193	14,774
Facilities acquisition and construction		20,742	362,240	170,000
Debt service:				
Principal		120,063	116,634	113,303
Interest		3,530	6,959	10,290
Total Expenditures	<u>21,994,217</u>	<u>22,090,439</u>	<u>23,088,186</u>	<u>24,203,075</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,389,208</u>	<u>1,949,623</u>	<u>113,472</u>	<u>(605,355)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries				1,223
Bonds and notes issued			390,735	
Sale of transportation equipment	11,199	1,767	1,000	1155
Sale of other property		4,100		
Operating transfers in	2,058			
Other financing sources		7,417	7,546	
Operating transfers out	(1,267,499)	(1,432,844)	(1,729,111)	(1,124,397)
Other financing uses				(13,476)
Total Other Financing Sources (Uses)	<u>(1,254,242)</u>	<u>(1,419,560)</u>	<u>(1,329,830)</u>	<u>(1,135,495)</u>
Net Change in Fund Balances	<u>1,134,966</u>	<u>530,063</u>	<u>(1,216,358)</u>	<u>(1,740,850)</u>
Fund Balances:				
July 1, as previously reported	4,363,475	3,749,151	4,965,509	6,706,359
Prior period adjustment	642	84,261		
July 1, as restated	<u>4,364,117</u>	<u>3,833,412</u>	<u>4,965,509</u>	<u>6,706,359</u>
June 30,	<u>\$ 5,499,083</u>	<u>4,363,475</u>	<u>3,749,151</u>	<u>4,965,509</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

PICAYUNE SCHOOL DISTRICT

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

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 9,913,190	9,320,353	9,127,393	9,037,116
State sources	16,196,500	15,709,282	14,902,858	15,546,473
Federal sources	6,504,048	7,521,978	11,292,609	8,123,555
Sixteenth section sources	243,468	173,228	149,721	146,438
Total Revenues	<u>32,857,206</u>	<u>32,724,841</u>	<u>35,472,581</u>	<u>32,853,582</u>
Expenditures:				
Instruction	16,735,376	17,157,230	18,432,852	19,100,185
Support services	12,158,310	11,979,400	13,522,997	12,595,307
Noninstructional services	2,183,438	2,184,616	2,125,676	1,953,468
Sixteenth section	0	15,813	48,379	18,199
Facilities acquisition and construction	691,822	224,495	4,934,831	1,142,431
Debt service:				
Principal	244,245	359,308	220,634	212,303
Interest	227,736	77,281	64,894	55,030
Other	33,712	1,800	3,800	35,658
Total Expenditures	<u>32,274,639</u>	<u>31,999,943</u>	<u>39,354,063</u>	<u>35,112,581</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>582,567</u>	<u>724,898</u>	<u>(3,881,482)</u>	<u>(2,258,999)</u>
Other Financing Sources (Uses):				
Bonds and notes issued			3,390,735	3,000,000
Insurance loss recoveries				1,223
Sale of transportation equipment	11,199	1,767	1,000	1,155
Sale of other property		4,100	8,271	
Transfer from QZAB/QSCB debt service agent		276,190	80,690	80,690
Operating transfers in	1,456,180	1,664,289	1,946,544	1,244,397
Other financing sources	271,185	7,417	9,792	
Operating transfers out	(1,456,180)	(1,664,289)	(1,946,544)	(1,244,397)
Other financing uses	(271,185)			(13,476)
Transfer to QZAB/QSCB debt service agent		(276,190)	(80,690)	(80,690)
Total Other Financing Sources (Uses)	<u>11,199</u>	<u>13,284</u>	<u>3,409,798</u>	<u>2,988,902</u>
Net Change in Fund Balances	<u>593,766</u>	<u>738,182</u>	<u>(471,684)</u>	<u>729,903</u>
Fund Balances:				
July 1, as previously reported	9,545,629	8,817,171	9,256,852	8,588,044
Prior period adjustment	642			(52,645)
July 1, as restated	<u>9,546,271</u>	<u>8,817,171</u>	<u>9,256,852</u>	<u>8,535,399</u>
Increase (Decrease) in inventory	14,290	(9,724)	32,003	(8,450)
June 30,	<u>\$ 10,154,327</u>	<u>9,545,629</u>	<u>8,817,171</u>	<u>9,256,852</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Picayune 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 Picayune School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Picayune School District's basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

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

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

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

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BRANDON, MISSISSIPPI 39047
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Compliance and Other Matters

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

Purpose of this Report

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

This report is intended solely for the information and use of management, the school board, others within the entity, and 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 15, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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
Picayune School District

Report on Compliance for Each Major Federal Program

We have audited Picayune 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 Picayune School District major federal programs for the year ended June 30, 2013. The Picayune School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Picayune 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.

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Picayune School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Picayune School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of 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, 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 15, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Picayune School District

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

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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 \$2,027 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 15, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Picayune 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 501(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statements Findings

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