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**Quitman Consolidated School District**

Audited Financial Statements  
For the Year Ended June 30, 2013

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Quitman Consolidated 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  
Quitman Consolidated 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 Quitman Consolidated School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Quitman Consolidated 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 District'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 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman Consolidated 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 54 - 57 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 Quitman Consolidated 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 1, 2013, on our consideration of the Quitman Consolidated 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 Quitman Consolidated School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
November 1, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Quitman Consolidated 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 \$683,820, including a prior period adjustment of \$65,834, which represents a 4% increase from fiscal year 2012. Total net position for 2012 increased \$1,136,661, including a prior period adjustments of \$20,964, which represents a 7% increase from fiscal year 2011.
- General revenues amounted to \$14,422,429 and \$14,644,400, or 79% and 78% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,753,768, or 21% of total revenues for 2013, and \$4,034,783, or 22% of total revenues for 2012.
- The District had \$17,558,211 and \$17,563,486 in expenses for fiscal years 2013 and 2012; only \$3,753,768 for 2013 and \$4,034,783 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$14,422,429 for 2013 and \$14,644,400 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$13,000,586 in revenues and \$12,864,439 in expenditures for 2013, and \$12,625,118 in revenues and \$12,721,535 in expenditures for 2012. The General Fund's fund balance increased by \$203,107 from 2012 to 2013, and increased by \$20,858 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$658,931 for 2013 and increased by \$609,161 for 2012. The decrease for 2013 was due to retirements of mobile equipment and furniture and equipment coupled with the recording of depreciation expense during the year.
- Long-term debt decreased by \$180,000 for 2013 and decreased by \$175,464 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$6,007 for 2013 and increased by \$833 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.

**Quitman Consolidated 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.

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

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

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 in the government-wide financial statements, but are reported as expenditures in the governmental funds financial statements.

**Quitman Consolidated 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 \$17,573,845 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.

**Quitman Consolidated 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	\$ 6,789,811	6,469,244	5%
Restricted assets	2,243,207	1,522,237	47%
Capital assets, net	<u>13,157,538</u>	<u>13,816,469</u>	(5)%
<b>Total assets</b>	<u>22,190,556</u>	<u>21,807,950</u>	2%
Current liabilities	146,332	273,553	(47)%
Long-term debt outstanding	<u>4,470,379</u>	<u>4,644,372</u>	(4)%
<b>Total liabilities</b>	<u>4,616,711</u>	<u>4,917,925</u>	(6)%
<b>Net position:</b>			
Net investment in capital assets	8,817,538	9,296,469	(5)%
Restricted	5,385,398	2,171,657	148%
Unrestricted	<u>3,370,909</u>	<u>5,421,899</u>	(38)%
<b>Total net position</b>	<u>\$ 17,573,845</u>	<u>16,890,025</u>	4%

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

- Decrease in net capital assets in the amount of \$658,931.
- The principal retirement of \$180,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$18,176,197 and \$18,679,183, respectively. The total cost of all programs and services was \$17,558,211 for 2013 and \$17,563,486 for 2012.

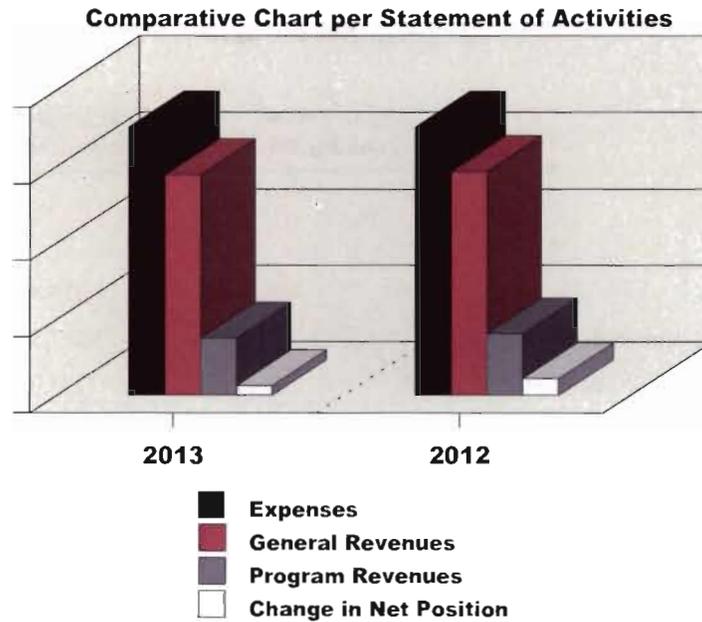
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

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

**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2013</b>	<b>Year Ended June 30, 2012</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 496,800	615,822	(19)%
Operating grants and contributions	3,174,575	3,227,896	(2)%
Capital grants and contributions	82,393	191,065	(57)%
Total program revenues	<u>3,753,768</u>	<u>4,034,783</u>	(7)%
General revenues:			
Property taxes	4,494,735	4,140,329	9%
Grants and contributions not restricted	8,329,931	8,329,989	0%
Unrestricted investment earnings	58,183	47,821	22%
Sixteenth section	1,379,656	2,123,979	(35)%
Other	159,924	2,282	6908%
Total general revenues	<u>14,422,429</u>	<u>14,644,400</u>	(2)%
<b>Total revenues</b>	<u>18,176,197</u>	<u>18,679,183</u>	(3)%
<b>Expenses:</b>			
Instruction	9,480,248	9,329,365	2%
Support services	6,362,179	6,407,568	(1)%
Non-instructional	1,397,180	1,457,978	(4)%
Sixteenth section	119,950	159,379	(25)%
Interest on long-term debt	198,654	209,196	(5)%
<b>Total expenses</b>	<u>17,558,211</u>	<u>17,563,486</u>	0%
Increase (Decrease) in net position	617,986	1,115,697	(45)%
Net Position, July 1, as previously reported	16,890,025	15,753,364	7%
Prior Period Adjustment	65,834	20,964	214%
Net Position, July 1, as restated	<u>16,955,859</u>	<u>15,774,328</u>	7%
Net Position, June 30	<u>\$ 17,573,845</u>	<u>16,890,025</u>	4%

**Quitman Consolidated 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**

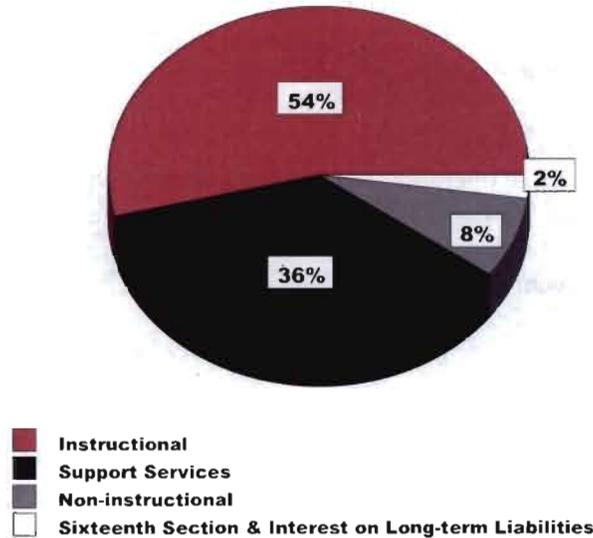
	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2013</b>	<b>2012</b>	
Instruction	\$ 9,480,248	9,329,365	2%
Support services	6,362,179	6,407,568	(1)%
Non-instructional	1,397,180	1,457,978	(4)%
Sixteenth section	119,950	159,379	(25)%
Interest on long-term liabilities	198,654	209,196	(5)%
<b>Total expenses</b>	<b>\$ 17,558,211</b>	<b>17,563,486</b>	<b>0%</b>

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

**Net (Expense) Revenue**

	2013	2012	Percentage Change
Instruction	\$ (7,857,898)	(7,125,269)	10%
Support services	(5,560,760)	(5,702,027)	(2)%
Non-instructional	(154,814)	(332,832)	(53)%
Sixteenth section	(32,317)	(159,379)	(80)%
Interest on long-term liabilities	(198,654)	(209,196)	(5)%
<b>Total net (expense) revenue</b>	<b>\$ (13,804,443)</b>	<b>(13,528,703)</b>	<b>2%</b>

**Expenses per Statement of Activities**



- Net cost of governmental activities (\$13,804,443 for 2013 and \$13,528,703 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$4,494,735 for 2013 and \$4,140,329 for 2012) and state and federal revenues (\$8,329,931 for 2013 and \$8,329,989 for 2012). In addition, there was \$1,379,656 and \$2,123,979, in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$58,183 for 2013 and \$47,821 for 2012.

**Quitman Consolidated 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 \$8,938,786, an increase of \$1,168,467, including a prior period adjustment of \$75,612 and a decrease in inventory of \$8,223. \$3,109,279 or 35% 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 \$5,829,507 or 65% 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 \$203,107. The fund balance of Other Governmental Funds showed an increase in the amount of \$88,678, including a prior period adjustment of \$75,612 and a decrease in inventory of \$8,223. The increase (decrease) in the fund balance for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 261,699
Sixteenth Section Principal Fund	\$ 614,983

**BUDGETARY HIGHLIGHTS**

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

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$25,313,487, including land, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$63,801 from 2012. Total accumulated depreciation as of June 30, 2013, was \$12,155,949 and total depreciation expense for the year was \$791,990, resulting in total net capital assets of \$13,157,538.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 174,918	174,918	0%
Buildings	7,194,031	7,861,624	(8)%
Building improvements	3,340,762	3,147,943	6%
Improvements other than buildings	1,390,244	1,463,853	(5)%
Mobile equipment	762,878	876,297	(13)%
Furniture and equipment	294,705	291,834	1%
<b>Total</b>	<u>\$ 13,157,538</u>	<u>13,816,469</u>	<u>(5)%</u>

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 \$4,470,379 in outstanding long-term debt, of which \$190,000 is due within one year. The liability for compensated absences increased \$6,007 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 2,840,000	3,020,000	(6)%
Qualified school construction bonds payable	1,500,000	1,500,000	0%
Compensated absences payable	130,379	124,372	5%
<b>Total</b>	<u>\$ 4,470,379</u>	<u>4,644,372</u>	<u>(4)%</u>

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

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

**CURRENT ISSUES**

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

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

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

Enrollment for the 2012-2013 year decreased slightly, less than 1%, to 2,033 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Quitman Consolidated School District, 104 East Franklin Avenue, Quitman, MS 39355.

FINANCIAL STATEMENTS

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 5,726,286
<i>Investments</i>	556,605
<i>Due from other governments</i>	436,086
<i>Other receivables, net</i>	3,017
<i>Inventories</i>	22,853
<i>Deferred debt issuance costs</i>	44,964
<i>Restricted assets</i>	2,243,207
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	174,918
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	7,194,031
<i>Building improvements</i>	3,340,762
<i>Improvements other than buildings</i>	1,390,244
<i>Mobile equipment</i>	762,878
<i>Furniture and equipment</i>	294,705
<b>Total Assets</b>	<b>22,190,556</b>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	42,813
<i>Unearned revenue</i>	6,455
<i>Interest payable on long-term liabilities</i>	97,064
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	190,000
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	4,150,000
<i>Non-capital related liabilities</i>	130,379
<b>Total Liabilities</b>	<b>4,616,711</b>
<b>Net Position:</b>	
Net Investment in Capital Assets	8,817,538
Restricted For:	
Expendable:	
School-based activities	2,793,082
Debt service	377,634
Forestry improvements	107,412
Unemployment benefits	43,776
Sixteenth section	614,983
Non-expendable:	
Sixteenth section	1,448,511
Unrestricted	3,370,909
<b>Total Net Position</b>	<b>\$ 17,573,845</b>

The accompanying notes are an integral part of this statement.

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<b>Governmental Activities:</b>					<b>Governmental Activities</b>
<i>Instruction</i>	9,480,248	272,333	1,267,624	82,393	(7,857,898)
<i>Support services</i>	6,362,179	--	801,419	--	(5,560,760)
<i>Noninstructional services</i>	1,397,180	136,834	1,105,532	--	(154,814)
<i>Sixteenth section</i>	119,950	87,633	--	--	(32,317)
<i>Interest on long-term liabilities</i>	198,654	--	--	--	(198,654)
<b>Total Governmental Activities</b>	<b>\$ 17,558,211</b>	<b>\$ 496,800</b>	<b>\$ 3,174,575</b>	<b>\$ 82,393</b>	<b>(13,804,443)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
<i>General purpose levies</i>					4,277,566
<i>Debt purpose levies</i>					217,169
<b>Unrestricted grants and contributions:</b>					
<i>State</i>					8,199,379
<i>Federal</i>					130,552
<i>Unrestricted investment earnings</i>					58,183
<i>Sixteenth section sources</i>					1,379,656
<i>Other</i>					159,924
<b>Total General Revenues</b>					<b>14,422,429</b>
					<b>Change in Net Position</b>
					<b>617,986</b>
					<b>Net Position - Beginning, as previously reported</b>
					<b>16,890,025</b>
					<b>Prior Period Adjustment</b>
					<b>65,834</b>
					<b>Net Position - Beginning, as restated</b>
					<b>16,955,859</b>
					<b>Net Position - Ending</b>
					<b>\$ 17,573,845</b>

The accompanying notes are an integral part of this statement.

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	General Fund	Title I Fund	EHA Part B Fund
<b>Assets</b>			
<i>Cash and cash equivalents</i>	\$ 3,047,187	\$ --	\$ --
<i>Cash with fiscal agents</i>	--	--	--
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	146,334	122,534	103,835
<i>Other receivables, net</i>	3,017	--	--
<i>Due from other funds</i>	277,008	--	--
<i>Inventories</i>	--	--	--
<b>Total Assets</b>	<b>\$ 3,473,546</b>	<b>\$ 122,534</b>	<b>\$ 103,835</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 17,222	\$ --	\$ 1,858
Due to other funds	--	122,534	101,977
Unearned revenue	--	--	--
<b>Total Liabilities</b>	<b>17,222</b>	<b>122,534</b>	<b>103,835</b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Permanent fund principal	--	--	--
Inventory	--	--	--
<b>Restricted:</b>			
Unemployment benefits	--	--	--
Forestry improvement purposes	--	--	--
Debt service	--	--	--
Grant activities	--	--	--
Food Service	--	--	--
Sixteenth section interest	--	--	--
Other purposes	--	--	--
<b>Committed:</b>			
Sinking fund payments QSCB	--	--	--
<b>Assigned:</b>			
Activities	47,893	--	--
Athletics	24,711	--	--
Building and equipment	274,441	--	--
<b>Unassigned</b>	<b>3,109,279</b>	<b>--</b>	<b>--</b>
<b>Total Fund Balances</b>	<b>3,456,324</b>	<b>--</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,473,546</b>	<b>\$ 122,534</b>	<b>\$ 103,835</b>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,020,670	\$ 557,316	\$ 678,368	\$ 6,303,541
--	--	152,376	152,376
556,605	1,513,576	--	2,070,181
--	--	62,667	435,370
--	--	--	3,017
943	--	--	277,951
--	--	22,853	22,853
<u>\$ 2,578,218</u>	<u>\$ 2,070,892</u>	<u>\$ 916,264</u>	<u>\$ 9,265,289</u>
\$ 23,465	\$ --	\$ 268	\$ 42,813
--	943	51,781	277,235
--	6,455	--	6,455
<u>23,465</u>	<u>7,398</u>	<u>52,049</u>	<u>326,503</u>
--	1,448,511	--	1,448,511
--	--	22,853	22,853
--	--	43,776	43,776
--	--	107,412	107,412
--	--	474,698	474,698
--	--	6,867	6,867
--	--	208,609	208,609
1,195,903	--	--	1,195,903
--	614,983	--	614,983
1,358,850	--	--	1,358,850
--	--	--	47,893
--	--	--	24,711
--	--	--	274,441
--	--	--	3,109,279
<u>2,554,753</u>	<u>2,063,494</u>	<u>864,215</u>	<u>8,938,786</u>
<u>\$ 2,578,218</u>	<u>\$ 2,070,892</u>	<u>\$ 916,264</u>	<u>\$ 9,265,289</u>

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013*

Total fund balances for governmental funds	\$ 8,938,786
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	13,157,538
Bond issuance costs are reported in the SNP.	44,964
Liabilities due in one year are reported in the SNP.	(190,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,500,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(97,064)
Payables for notes which are not due in the current period are not reported in the funds.	(2,650,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(130,379)
Net position of governmental activities	<u>\$ 17,573,845</u>

The accompanying notes are an integral part of this statement.

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**QUITMAN CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Title I Fund	EHA Part B Fund
<b>Revenues:</b>			
Local sources	\$ 4,633,945	\$ --	\$ --
State sources	8,253,927	--	--
Federal sources	112,714	910,723	491,961
Sixteenth section sources	--	--	--
<b>Total Revenues</b>	<u>13,000,586</u>	<u>910,723</u>	<u>491,961</u>
<b>Expenditures:</b>			
Instruction	7,535,023	464,567	229,544
Support services	5,329,336	339,838	241,257
Noninstructional services	80	67,406	--
Sixteenth section	--	--	--
Debt service:			
Principal	--	--	--
Interest	--	--	--
Other	--	--	--
<b>Total Expenditures</b>	<u>12,864,439</u>	<u>871,811</u>	<u>470,801</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>136,147</u>	<u>38,912</u>	<u>21,160</u>
<b>Other Financing Sources (Uses):</b>			
Insurance loss recoveries	23,402	--	--
Transfers in	474,773	--	--
Transfers out	(431,215)	(38,912)	(21,160)
Other financing uses	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>66,960</u>	<u>(38,912)</u>	<u>(21,160)</u>
Net Change in Fund Balances	<u>203,107</u>	<u>--</u>	<u>--</u>
<b>Fund Balances:</b>			
July 1, 2012, as previously reported	3,253,217	--	--
Prior period adjustments	--	--	--
July 1, 2012, as restated	<u>3,253,217</u>	<u>--</u>	<u>--</u>
Increase (decrease) in inventory	--	--	--
<b>June 30, 2013</b>	<u>\$ 3,456,324</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 509,388	\$ 5,143,333
--	--	280,396	8,534,323
--	--	1,537,178	3,052,576
733,299	666,952	95,534	1,495,785
<u>733,299</u>	<u>666,952</u>	<u>2,422,496</u>	<u>18,226,017</u>
--	--	823,290	9,052,424
--	--	327,013	6,237,444
--	--	1,242,272	1,309,758
395	7,544	112,011	119,950
--	--	180,000	180,000
--	--	197,345	197,345
--	--	1,600	1,600
<u>395</u>	<u>7,544</u>	<u>2,883,531</u>	<u>17,098,521</u>
<u>732,904</u>	<u>659,408</u>	<u>(461,035)</u>	<u>1,127,496</u>
--	--	--	23,402
8,000	--	778,270	1,261,043
(465,810)	(8,000)	(295,946)	(1,261,043)
(13,395)	(36,425)	--	(49,820)
<u>(471,205)</u>	<u>(44,425)</u>	<u>482,324</u>	<u>(26,418)</u>
<u>261,699</u>	<u>614,983</u>	<u>21,289</u>	<u>1,101,078</u>
2,293,054	1,448,511	775,537	7,770,319
--	--	75,612	75,612
<u>2,293,054</u>	<u>1,448,511</u>	<u>851,149</u>	<u>7,845,931</u>
--	--	(8,223)	(8,223)
<u>\$ 2,554,753</u>	<u>\$ 2,083,494</u>	<u>\$ 864,215</u>	<u>\$ 8,938,786</u>

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013*

Net change in fund balances - total governmental funds	\$ 1,101,078
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	150,443
The depreciation of capital assets used in governmental activities is not reported in the funds.	(791,990)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(7,606)
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	180,000
(Increase) decrease in accrued interest from beginning of period to end of period.	3,506
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(8,223)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(6,007)
Amortization of bond issuance cost is not recognized in the funds.	(3,215)
	<u>617,986</u>
Change in net position of governmental activities	<u>\$ 617,986</u>

The accompanying notes are an integral part of this statement.

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	Private- Purpose Trust Fund	Agency Funds
<b>Assets:</b>		
<i>Cash and other deposits</i>	\$ 7,760	\$ 574,127
<i>Other receivable</i>	--	3,114
<i>Total Assets</i>	<u>\$ 7,760</u>	<u>577,241</u>
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ 545,600
<i>Due to student clubs</i>	7,760	30,925
<i>Due to other funds</i>	--	716
<i>Total Liabilities</i>	<u>\$ 7,760</u>	<u>577,241</u>

The accompanying notes are an integral part of this statement.

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED JUNE 30, 2013*

	Private- Purpose Trusts Fund
<b>Additions:</b>	
Total Additions	\$ --
<b>Deductions:</b>	
Administrative Expenses	8,900
Total Deductions	8,900
<b>Change in Net Position</b>	<b>(8,900)</b>
<b>Net Position:</b>	
July 1, 2012	8,900
June 30, 2013	\$ --

The accompanying notes are an integral part of this statement.

**Quitman Consolidated School District**

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

## **Quitman Consolidated 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 a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Quitman Consolidated 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.

## Quitman Consolidated 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 a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

EHA Part B Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

Sixteenth Section Interest Fund - This fund serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are either shared with other school districts or transferred to the district's General Fund per specific statutory board order.

Sixteenth Section Principal Fund - This fund is used to account for sixteenth section resources that are legally restricted; only earnings, and not the principal, may be used for purposes that support the district's programs.

## Quitman Consolidated School District

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

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

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

The District's fiduciary funds include the following:

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

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

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

**Scholarship Fund** - This fund is a private purpose trust fund that serves to report a trust arrangement.

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 Fund - Private-purpose trust funds are used to report all trust

## Quitman Consolidated School District

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

arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

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

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

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

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

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

## Quitman Consolidated School District

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

annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in the 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.

## Quitman Consolidated School District

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

### Investments

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

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

Investments for the district are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

# Quitman Consolidated School District

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

## 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> 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 governmental-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years

## Quitman Consolidated School District

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

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.

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,

## Quitman Consolidated School District

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

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.

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

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

When an expenditure 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 5% of

## Quitman Consolidated School District

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

balance in the general fund at fiscal year end of not less than 5% of revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,303,541 and \$581,887, respectively.

## Quitman Consolidated School District

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

The bank balance was \$7,735,030.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$7,735,030 was exposed to custodial credit risk.

### Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$152,376.

### Investments

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

Investment Type	Fair Value
Sixteenth Section Interest	\$ 556,605
Sixteenth Section Principal	1,513,576
Total	<u>\$ 2,070,181</u>

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

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

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

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

## Quitman Consolidated School District

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

Investment Type	Fair Value	Credit Ratings	% of Investments	Interest Rates
Small Business Insurance Corporation (SBIC)	\$ 146,826	AA+	7.09%	2.35%
Federal National Mortgage Association (FNMA)	98,147	AA+	4.74%	1.00%
Federal Farm Credit Bak (FFCB)	143,670	AA+	6.94%	1.12%
Federal National Mortgage Association (FNMA)	97,044	AA+	4.69%	1.25%
Federal Home Loan Mortgage Corporation (FHLMC)	95,609	AA+	4.62%	1.65%
Choctaw County, MS Taxable GO Refunding Bonds	143,849	NR	6.95%	3.50%
MS St. Development Bank Special Obligation	102,593	A	4.96%	2.00%
MS St. GO Refunding Bonds Series E	97,939	AA	4.73%	1.70%
MS St. GO Bonds Series C	51,227	AA	2.47%	2.84%
MS St. GO Bonds Series D	21,403	AA	1.03%	3.93%
MS St. Development Bank Special Obligation	93,624	A	4.52%	3.13%
MS Home Corporation Single Family Revenue	50,209	NR	2.43%	2.75%
FNR 2010-94 VA (fixed)	34,688	AA+	1.68%	4.50%
SBIC 2012-10B 1 (fixed)	243,898	AA+	11.78%	2.25%
FNR 2012-91 KL (fixed)	118,444	AA+	5.72%	3.50%
FNMA Pass-through pool	150,957	AA+	7.29%	1.54%
FNMA Pass-through pool	100,679	AA+	4.86%	1.94%
FNMA Pass-through pool	97,767	AA+	4.72%	1.61%
FHLMC Pass-through pool	142,600	AA+	6.89%	2.75%
Fidelity Municipal Money Market	39,008	NR	1.88%	0.01%
Total	<u>\$ 2,070,181</u>		<u>100.00%</u>	

#### Investment Maturities in Years

Investment Type	Less than 1	1 to 5	6 to 10	More than 10	Total
Small Business Insurance Corporation (SBIC)			146,826		146,826
Federal National Mortgage Association (FNMA)		98,147	97,044		195,191
Federal Farm Credit Bak (FFCB)			143,670		143,670

**Quitman Consolidated School District**

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

Federal Home Loan Mortgage Corporation (FHLMC)		95,609		95,609
Choctaw County, MS Taxable GO Refunding Bonds	143,849			143,849
MS St. Development Bank Special Obligation	102,593			102,593
MS St. GO Refunding Bonds Series E		97,939		97,939
MS St. GO Bonds Series C		51,227		51,227
MS St. GO Bonds Series D		21,403		21,403
MS St. Development Bank Special Obligation		93,624		93,624
MS Home Corporation Single Family Revenue			50,209	50,209
FNR 2010-94 VA (fixed)		34,688		34,688
SBIC 2012-10B 1 (fixed)		243,898		243,898
FNR 2012-91 KL (fixed)			118,444	118,444
FNMA Pass-through pool	150,957	198,446		349,403
FHLMC Pass-through pool		142,600		142,600
Fidelity Municipal Money Market	39,008			39,008
Total	<u>\$39,008</u>	<u>495,546</u>	<u>1,366,974</u>	<u>168,653</u>
			<u>2,070,181</u>	

**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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 122,534
	EHA Part B Fund	101,977
	Other Governmental Funds	51,781
	Fiduciary Funds	716
Sixteenth Section Interest Fund	Sixteenth Section Principal	<u>943</u>
Total		<u>\$ 277,951</u>

The purpose of the inter-fund loans was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

## Quitman Consolidated School District

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

### B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I	\$ 38,912
	EHA Part B Fund	21,160
	Sixteenth Section Interest Fund	368,810
	Other Governmental Funds	45,891
Sixteenth Section interest Fund	Sixteenth Section Principal Fund	8,000
Other Governmental Funds	General Fund	431,215
	Sixteenth Section Interest Fund	97,000
	Other Governmental Funds	250,055
Total		<u>\$ 1,261,043</u>

Transfers were made from federal funds for indirect costs. Also, transfers were made from the General Fund to Other Governmental Funds to offset program costs which were not reimbursed by state and federal funds.

### Note 4 - Restricted Assets

The restricted assets represent the cash and investment balance of \$557,316 and \$1,513,576, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash and cash with fiscal agents balance in the amount of \$19,939 and \$152,376, respectively, of the QSCB Bond Retirement Fund.

### Note 5 - Capital Assets

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

	Balance 7-1-2012	Additions	Retirements	Adjustments	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 174,918				174,918
Total non-depreciable capital assets	<u>174,918</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>174,918</u>
<u>Depreciable capital assets:</u>					
Buildings	12,425,904			(488,908)	11,936,996
Building improvements	6,424,401			488,908	6,913,309
Improvements other than buildings	1,867,023				1,867,023
Mobile equipment	2,881,829	14,919	46,578		2,850,170
Furniture and equipment	1,475,611	135,524	40,064		1,571,071
Total depreciable capital assets	<u>25,074,768</u>	<u>150,443</u>	<u>86,642</u>	<u>0</u>	<u>25,138,569</u>

## Quitman Consolidated School District

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

<u>Less accumulated depreciation for:</u>					
Buildings	4,564,280	188,463		(9,778)	4,742,965
Building improvements	3,276,458	276,533		19,556	3,572,547
Improvements other than buildings	403,170	73,609			476,779
Mobile equipment	2,005,532	123,680	41,920		2,087,292
Furniture and equipment	1,183,777	129,705	37,116		1,276,366
Total accumulated depreciation	<u>11,433,217</u>	<u>791,990</u>	<u>79,036</u>	<u>9,778</u>	<u>12,155,949</u>
Total depreciable capital assets, net	<u>13,641,551</u>	<u>(641,547)</u>	<u>7,606</u>	<u>(9,778)</u>	<u>12,982,620</u>
Governmental activities capital assets, net	\$ <u>13,816,469</u>	<u>(641,547)</u>	<u>7,606</u>	<u>(9,778)</u>	<u>13,157,538</u>

Adjustments were made to reclassify an auditorium renovation to the appropriate category and to reclassify the related accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 554,393
Support services	158,398
Non-instructional	79,199
Total depreciation expense	<u>\$ 791,990</u>

#### 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	\$ 3,020,000		180,000	2,840,000	190,000
B. Qualified school construction bonds payable	1,500,000			1,500,000	
C. Compensated absences payable	124,372	6,007		130,379	
Total	<u>\$ 4,644,372</u>	<u>6,007</u>	<u>180,000</u>	<u>4,470,379</u>	<u>190,000</u>

#### A. Three Mill Notes Payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill notes 2007	1.73-2.9%	04-15-07	04-15-27	<u>\$ 3,800,000</u>	<u>2,840,000</u>

**Quitman Consolidated 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:

Year Ending June 30		Principal	Interest	Total
2014	\$	190,000	109,509	299,509
2015		195,000	100,484	295,484
2016		205,000	91,709	296,709
2017		195,000	80,670	275,670
2018		200,000	73,312	273,312
2019 - 2023		1,070,000	503,810	1,573,810
2024 - 2027		785,000	60,471	845,471
Total	\$	<u>2,840,000</u>	<u>1,019,965</u>	<u>3,859,965</u>

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

**B. 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
Qualified School Construction Bonds Payable (Series 2010)	4.33%	10-07-10	10-07-25	\$ <u>1,500,000</u>	<u>1,500,000</u>

**C. 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

## Quitman Consolidated School District

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

supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,360,758, \$1,184,629, and \$1,113,391, respectively, which equaled the required contributions for each year.

### Note 8 - Sixteenth Section Lands

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

Year Ending		Amount
June 30		
2014	\$	46,403
2015		46,403
2016		4,391
2017		4,391
2018		4,391
2019 - 2023		20,453
2024 - 2028		20,453
2029 - 2033		19,367
2034 - 2038		7,260
Total	\$	<u>173,512</u>

### Note 9 - Contingencies

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and

## **Quitman Consolidated School District**

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

applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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

### **Note 10 - Risk Management**

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

#### **Participation in Public Entity Risk Pool**

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

### **Note 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

## Quitman Consolidated School District

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

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. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The United States Treasury reimburses the District for the amount of interest paid on the principal amount. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2013 was \$152,736. The amount accumulated in the sinking fund at the end of the fifteen-year period will be sufficient to retire the debt. The following schedule reports the annual principal deposits to be made to the sinking fund by the school district.

Year Ending June 30	Principal	Interest	Total
2014	\$ 70,000	81,000	151,000
2015	71,000	81,000	152,000
2016	71,000	81,000	152,000
2017	92,000	81,000	173,000
2018	95,000	81,000	176,000
2019 - 2023	402,000	405,000	807,000
2024 - 2026	450,000	243,000	693,000
Total	\$ 1,251,000	1,053,000	2,304,000

### Note -12 - Prior Period Adjustments

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

**Quitman Consolidated School District**

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

Exhibit B - Statement of Activities

Explanation	Amount
1 To reclassify an auditorium renovation to the appropriate category and to reclassify the related accumulated depreciation	\$ (9,778)
2 To record cash with fiscal agents not booked in prior year.	<u>75,612</u>
Total	<u>\$ 65,834</u>

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

Fund	Explanation	Amount
Other Governmental Funds	To record cash with fiscal agents not booked in prior year.	<u>\$ 75,612</u>

**Note -13 - Insurance Loss Recoveries**

The Quitman Consolidated School District received \$23,402 in insurance loss recoveries related to bus damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as expenses and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 23,402	100%	Support Services

**Note 14 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the 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 that require disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

QUITMAN CONSOLIDATED SCHOOL DISTRICT

Exhibit I

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,541,950	4,632,416	4,633,945	90,466	1,529
State sources	7,799,943	8,253,927	8,253,927	453,984	0
Federal sources	190,000	112,713	112,714	(77,287)	1
Total Revenues	<u>12,531,893</u>	<u>12,999,056</u>	<u>13,000,586</u>	<u>467,163</u>	<u>1,530</u>
<b>Expenditures:</b>					
Instruction	7,209,398	7,534,966	7,535,023	(325,568)	(57)
Support services	5,884,640	5,329,335	5,329,336	555,305	(1)
Noninstructional services		80	80	(80)	0
Total Expenditures	<u>13,094,038</u>	<u>12,864,381</u>	<u>12,864,439</u>	<u>229,657</u>	<u>(58)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(562,145)</u>	<u>134,675</u>	<u>136,147</u>	<u>696,820</u>	<u>1,472</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries		23,402	23,402	23,402	0
Transfers In	1,987,863	1,988,716	474,773	853	(1,513,943)
Transfers Out	<u>(1,987,463)</u>	<u>(1,945,157)</u>	<u>(431,215)</u>	<u>42,306</u>	<u>1,513,942</u>
Total Other Financing Sources (Uses)	<u>400</u>	<u>66,961</u>	<u>66,960</u>	<u>66,561</u>	<u>(1)</u>
Net Change in Fund Balances	<u>(561,745)</u>	<u>201,636</u>	<u>203,107</u>	<u>763,381</u>	<u>1,471</u>
<b>Fund Balances:</b>					
July 1, 2012	<u>3,166,466</u>	<u>3,253,160</u>	<u>3,253,217</u>	<u>86,694</u>	<u>57</u>
June 30, 2013	<u>\$ 2,604,721</u>	<u>3,454,796</u>	<u>3,456,324</u>	<u>850,075</u>	<u>1,528</u>

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

QUITMAN CONSOLIDATED SCHOOL DISTRICT

Exhibit 2

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 997,047	910,723	910,723	(86,324)	0
Total Revenues	<u>997,047</u>	<u>910,723</u>	<u>910,723</u>	<u>(86,324)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	489,113	464,567	464,567	24,546	0
Support services	375,814	339,837	339,838	35,977	(1)
Noninstructional services	68,648	67,406	67,406	1,242	0
Total Expenditures	<u>933,575</u>	<u>871,810</u>	<u>871,811</u>	<u>61,765</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>63,472</u>	<u>38,913</u>	<u>38,912</u>	<u>(24,559)</u>	<u>(1)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers Out	(63,472)	(38,913)	(38,912)	24,559	1
Total Other Financing Sources (Uses)	<u>(63,472)</u>	<u>(38,913)</u>	<u>(38,912)</u>	<u>24,559</u>	<u>1</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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 schedule.

QUITMAN CONSOLIDATED SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 EHA Part B Fund  
 For the Year Ended June 30, 2013

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 435,955	491,961	491,961	56,006	0
Total Revenues	<u>435,955</u>	<u>491,961</u>	<u>491,961</u>	<u>56,006</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	235,004	229,543	229,544	5,461	(1)
Support services	<u>184,665</u>	<u>241,258</u>	<u>241,257</u>	<u>(56,593)</u>	<u>1</u>
Total Expenditures	<u>419,669</u>	<u>470,801</u>	<u>470,801</u>	<u>(51,132)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,286</u>	<u>21,160</u>	<u>21,160</u>	<u>4,874</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Transfers Out	<u>(16,286)</u>	<u>(21,160)</u>	<u>(21,160)</u>	<u>4,874</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(16,286)</u>	<u>(21,160)</u>	<u>(21,160)</u>	<u>4,874</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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 schedule.

QUITMAN CONSOLIDATED SCHOOL DISTRICT

Exhibit 4

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 551,595	733,300	733,299	181,705	(1)
Total Revenues	<u>551,595</u>	<u>733,300</u>	<u>733,299</u>	<u>181,705</u>	<u>(1)</u>
<b>Expenditures:</b>					
Sixteenth section	4,100	3,225	395	875	2,830
Total Expenditures	<u>4,100</u>	<u>3,225</u>	<u>395</u>	<u>875</u>	<u>2,830</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>547,495</u>	<u>730,075</u>	<u>732,904</u>	<u>182,580</u>	<u>2,829</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	8,000	8,000	8,000	0	0
Transfers out	(465,810)	(465,810)	(465,810)	0	0
Other financing uses			(13,395)	0	13,395
Total Other Financing Sources (Uses)	<u>(457,810)</u>	<u>(457,810)</u>	<u>(471,205)</u>	<u>0</u>	<u>(13,395)</u>
Net Change in Fund Balances	<u>89,685</u>	<u>272,265</u>	<u>261,699</u>	<u>182,580</u>	<u>(10,566)</u>
<b>Fund Balances:</b>					
July 1, 2012	<u>2,411,000</u>	<u>2,295,883</u>	<u>2,293,054</u>	<u>(115,117)</u>	<u>(2,829)</u>
June 30, 2013	<u>\$ 2,500,685</u>	<u>2,568,148</u>	<u>2,554,753</u>	<u>67,463</u>	<u>(13,395)</u>

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

## Quitman Consolidated 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



**Quitman Consolidated School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2013

**Schedule I**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 284,399
National School Lunch Program	10.555	850,016
Total Child Nutrition cluster		<u>1,134,415</u>
Total passed-through Mississippi Department of Education		<u>1,134,415</u>
<b>Total U. S. Department of Agriculture</b>		<u>1,134,415</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	59,112
<b>Total U. S. Department of Defense</b>		<u>59,112</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	53,602
<b>Total Federal Communications Commission</b>		<u>53,602</u>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	935,423
Career and Technical Education - Basic Grants to States	84.048	37,663
Twenty-First Century Community Learning Centers	84.287	38,487
Rural Education	84.358	35,764
Improving Teacher Quality - State Grants	84.367	168,556
Subtotal		<u>1,215,893</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	491,761
Special Education - Preschool Grants	84.173	20,643
Total special education cluster		<u>512,404</u>
Total passed-through the Mississippi Department of Education		<u>1,728,297</u>
<b>Total U. S. Department of Education</b>		<u>1,728,297</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ <u>2,975,426</u></b>

**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.

**Quitman Consolidated School District**

**Schedule 2**

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

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 12,985,297	9,379,791	606,277	1,203,329	1,795,900
Other	4,113,224	828,708	235,210	8,921	3,040,385
Total	<u>\$ 17,098,521</u>	<u>10,208,499</u>	<u>841,487</u>	<u>1,212,250</u>	<u>4,836,285</u>
 Total number of students *	 2,033				
Cost per student	\$ 8,410	5,021	414	596	2,379

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

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**

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

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 4,633,945	4,249,280	3,877,483	3,412,830
State sources	8,253,927	8,269,622	8,758,241	8,475,093
Federal sources	112,714	106,216	174,103	86,283
Total Revenues	<u>13,000,586</u>	<u>12,625,118</u>	<u>12,809,827</u>	<u>11,974,206</u>
<b>Expenditures:</b>				
Instruction	7,535,023	7,346,384	6,139,082	7,023,381
Support services	5,329,336	5,369,689	5,224,225	5,209,663
Noninstructional services	80		83,623	26,793
Debt Service:				
Principal		5,462	10,924	10,924
Total Expenditures	<u>12,864,439</u>	<u>12,721,535</u>	<u>11,457,854</u>	<u>12,270,761</u>
Excess (Deficiency) of Revenues (under) Expenditures	<u>136,147</u>	<u>(96,417)</u>	<u>1,351,973</u>	<u>(296,555)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	23,402	2,282	14,001	3,495
Operating transfers in	474,773	617,886	217,432	900,670
Operating transfers out	(431,215)	(502,893)	(619,913)	(596,201)
Total Other Financing Sources (Uses)	<u>66,960</u>	<u>117,275</u>	<u>(388,480)</u>	<u>307,964</u>
Net Change in Fund Balances	<u>203,107</u>	<u>20,858</u>	<u>963,493</u>	<u>11,409</u>
<b>Fund Balances:</b>				
July 1,	3,253,217	3,232,359	2,268,866	2,257,457
June 30,	<u>\$ 3,456,324</u>	<u>3,253,217</u>	<u>3,232,359</u>	<u>2,268,866</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**QUITMAN CONSOLIDATED SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 5,143,333	4,803,971	4,567,373	4,046,584
State sources	8,534,323	8,580,921	9,094,303	8,837,441
Federal sources	3,052,576	3,168,030	4,679,544	5,799,183
Sixteenth section sources	1,495,785	2,123,979	881,098	1,267,181
Total Revenues	<u>18,226,017</u>	<u>18,676,901</u>	<u>19,222,318</u>	<u>19,950,389</u>
<b>Expenditures:</b>				
Instruction	9,052,424	9,113,400	9,225,068	10,972,923
Support services	6,237,444	6,265,066	6,906,517	6,825,527
Noninstructional services	1,309,758	1,350,088	1,256,887	1,199,012
Sixteenth section	119,950	159,380	256,378	110,663
Facilities acquisition and consttuction		1,050,321	83,623	510,183
Debt service:				
Principal	180,000	175,462	175,924	165,924
Interest	197,345	192,484	134,584	142,334
Interest	1,600	3,100	22,063	1,100
Total Expenditures	<u>17,098,521</u>	<u>18,309,301</u>	<u>18,061,044</u>	<u>19,927,666</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,127,496</u>	<u>367,600</u>	<u>1,161,274</u>	<u>22,723</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued			1,500,000	
Insurance loss recoveries	23,402	2,282	14,001	3,495
Payment to escrow agent		141,150		
Operating transfers in	1,261,043	1,208,587	875,684	1,525,641
Operating transfers out	(1,261,043)	(1,208,587)	(875,684)	(1,525,641)
Payment to qualified school construction agent	(49,820)	(141,150)		
Total Other Financing Sources (Uses)	<u>(26,418)</u>	<u>2,282</u>	<u>1,514,001</u>	<u>3,495</u>
Net Change in Fund Balances	<u>1,101,078</u>	<u>369,882</u>	<u>2,675,275</u>	<u>26,218</u>
<b>Fund Balances:</b>				
July 1, as previously reported	7,770,319	7,400,621	4,723,393	4,699,971
Prior period adjustment	75,612			
July 1, as restated	<u>7,845,931</u>	<u>7,400,621</u>	<u>4,723,393</u>	<u>4,699,971</u>
Increase (decrease) in inventory	(8,223)	(184)	1,953	(2,796)
June 30,	<u>\$ 8,938,786</u>	<u>7,770,319</u>	<u>7,400,621</u>	<u>4,723,393</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  
Quitman Consolidated 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 Quitman Consolidated School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Quitman Consolidated School District's basic financial statements, and have issued our report thereon dated November 1, 2013.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and

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questioned costs that we consider to be a significant deficiency. [Finding 2013-1]

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Quitman Consolidated 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.

The Quitman Consolidated School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. The Quitman Consolidated School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the school board, others within the entity, and entities with accreditation oversight, 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 1, 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; AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Quitman Consolidated School District

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Quitman Consolidated 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 Quitman Consolidated School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the Quitman Consolidated 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 Quitman Consolidated 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 out 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 1, 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  
Quitman Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman Consolidated School District as of and for the year ended June 30, 2013, which collectively comprise Quitman Consolidated School District's basic financial statements and have issued our report thereon dated November 1, 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 \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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.

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

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 1, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Quitman Consolidated 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? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - State Grants

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 Statement Findings

The results of our tests disclosed the following finding related to the financial statements that are required to be reported by *Government Auditing Standards*.

## **Significant Deficiency**

Finding 2013-1

### Condition:

The Qualified School Construction Bonds sinking fund cash was not included on the district's books.

### Criteria:

The Qualified School Construction Bonds agreement requires the school district to make equal annual payments into a sinking fund which will be used to payoff the bonds at termination.

### Cause:

Controls were not in place to ensure that the account was properly reflected on the district's books.

### Effect:

This caused an understatement of the district's books. A prior period adjustment was made to reflect the prior year amount that should have been recorded as cash with fiscal agents. Additionally, current year adjustments were proposed to the district and recorded to reflect the actual amount on deposit at year end and the payment made to the escrow agent instead of a principal payment.

### Recommendation:

The district should improve the controls over this account to ensure proper financial statement presentation.

## 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.

AUDITEE'S CORRECTIVE ACTION PLAN



104 East Franklin Street  
Quitman, MS 39355  
601-776-2186  
FAX 601-776-1051

Quitman School District

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**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_.315(c) of OMB Circular A-133, the Quitman Consolidated School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013:

Findings	Corrective Action Plan Details
2013-1	a. Name of Contact Person Responsible for Corrective Action

Name: Elisa Mayo  
Title: Finance Coordinator  
Phone Number: (601) 776-2186

b. Corrective Action Planned:

Payment of Qualified School Construction Bonds will be recorded as Cash with Fiscal Agents versus a payment to the principal of the debt instrument. The proper entry has been made to record the balance of the sinking fund account on the school district's books.

c. Anticipated Completion Date:

October 22, 2013