

STARKVILLE SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 17,872,675	\$ 17,789,846	\$ 17,136,224	\$ 16,105,418
Intermediate sources	66,063	63,960	132,016	75,220
State sources	18,641,180	18,069,043	17,807,856	18,983,664
Federal sources	6,536,179	8,194,981	8,752,980	8,656,123
Sixteenth section sources	31,439	41,979	9,605	129,586
Total Revenues	43,147,536	44,159,809	43,838,681	43,950,011
Expenditures:				
Instruction	23,282,388	23,948,398	22,316,511	23,858,803
Support services	14,780,162	15,305,620	14,324,601	13,212,986
Noninstructional services	3,988,427	4,437,570	3,926,258	4,687,109
Sixteenth section	3,178	1,730	3,190	21,115
Facilities acquisition and construction	319,972	1,358,146	2,176,307	9,258,340
Debt service:				
Principal	2,088,464	1,858,457	1,878,756	1,255,782
Interest	939,455	967,193	1,189,892	828,230
Other	11,617	35,381	14,402	50,003
Total Expenditures	45,413,663	47,912,495	45,829,917	53,172,368
Excess (Deficiency) of Revenues over (under) Expenditures	(2,266,127)	(3,752,686)	(1,991,236)	(9,222,357)
Other Financing Sources (Uses):				
Proceeds of general obligation bonds	-	-	-	11,575,000
Proceeds of refunding bonds	-	-	-	1,421,680
Inception of capital leases	789,109	-	-	-
Insurance recovery	8,977	-	134,379	-
Sale of transportation equipment	-	5,664	-	4,588
Sale of other property	9,162	-	-	-
Transfer from QSCB debt service agent	214,279	-	-	-
Payment to QSCB escrow agent	(214,279)	-	-	-
Operating transfers in	891,566	953,138	730,923	782,501
Other financing sources	1,784	236,540	21,568	-
Operating transfers out	(891,566)	(953,138)	(730,923)	(782,501)
Other financing uses	-	(216,489)	-	(1,424,828)
Total Other Financing Sources (Uses)	809,032	25,715	155,947	11,576,440
Net Change in Fund Balances	(1,457,095)	(3,726,971)	(1,835,289)	2,354,083
Fund Balances:				
Beginning of period, as originally reported	7,254,516	10,921,081	12,590,609	10,218,952
Prior period adjustments	313,917	84,656	184,074	-
Beginning of period, as restated	7,568,433	11,005,737	12,774,683	10,218,952
Increase (Decrease) in reserve for inventory	23,554	(24,250)	(18,313)	17,574
End of Period	\$ 6,134,892	\$ 7,254,516	\$ 10,921,081	\$ 12,590,609

*SOURCE - PRIOR YEAR AUDIT REPORTS

STARKVILLE 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 on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to the 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 finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | B. Special Education Cluster: | |
| | CFDA # | 84.027 |
| | CFDA # | 84.173 |
| | C. Improving Teacher Quality | |
| | CFDA # | 84.367 |
| | D. Building Strong Families | |
| | CFDA # | 93.086 |
| | E. Elementary and secondary school counseling program | |
| | CFDA # | 84.215E |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

STARKVILLE SCHOOL DISTRICT

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

Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported under *Government Auditing Standards*:

Material Weakness:

Finding 2013-1:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records. During the audit, we noted multiple severe discrepancies with the information provided on the accounting records:

(1) During our testing of cash we noted the following errors requiring audit adjustments:

- The District Maintenance bank account was overstated by \$52,343.
- The Payroll Clearing bank account was understated by \$102,859.
- The Activity Funds bank accounts were overstated by \$428,092.

We did note that the district was reconciling the bank accounts to the accounting records. However, subsequent adjustments were posted to the accounting records without going back and correcting the bank reconciliations accordingly. Additionally, if subsequent bank reconciliations were being done timely, these errors could have been caught by management and corrected.

- (2) During our testing of amounts due from other governments, we found that the June 2013 ad valorem taxes from the City of Starkville had not been accrued, requiring an audit adjustment of \$315,757.
- (3) A search for unrecorded liabilities revealed approximately \$104,000 that the district failed to include in accounts payable at June 30, 2013. This understatement of liabilities was corrected by audit adjustment.
- (4) During our testing of payroll liabilities, we noted the district failed to accrue the July 2013 teacher payroll. This resulted in an audit adjustment of approximately \$1,850,000.
- (5) During our testing of revenue, we noted multiple federal grants that had cash advances recognized as revenue. An audit adjustment of approximately \$180,000 was recorded to reclass those advances from revenue to unearned income.

Recommendation

We recommend management implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records. Greater care needs to be taken to ensure that all transactions of the district are captured, properly recorded, and that the account records agree to the subsidiary ledgers and reconciling schedules.

STARKVILLE SCHOOL DISTRICT

401 GREENSBORO STREET
STARKVILLE, MISSISSIPPI 39759
Dr. Lewis Holloway – Superintendent
Rob Logan – Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315(c) of OMB Circular A-133, the Starkville 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:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2013-01	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Rob Logan, Business Manager, 662-615-0016</p> <p>b. Corrective Action Planned:</p> <p>During the audit, we were notified of the weaknesses in internal control related to financial reporting and the overall accounting records. Outside financial advisors were brought in to help correct the accounting records and to begin a process of implementing stronger internal controls related to our financial reporting system.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately.</p>

DRAFT