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Audited Financial Statements  
For the Fiscal Year Ended June 30, 2011

**Fortenberry & Ballard, PC**

Certified Public Accountants

**Itawamba County 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 SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Itawamba County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2011, which collectively comprise the Itawamba County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Itawamba County School District's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013, on our consideration of the Itawamba County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Itawamba County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Itawamba County School District's basic financial statements. 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information 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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
May 30, 2013

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Itawamba County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

The following discussion and analysis of Itawamba County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. 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 assets for 2011 increased \$2,765,558, including a prior period adjustment of (\$307), which represents a 15% increase from fiscal year 2010. Total net assets for 2010 decreased \$292,141, including a prior period adjustment of (\$24,967), which represents a 2% decrease from fiscal year 2009.
- General revenues amounted to \$22,464,094 and \$22,385,990, or 77% and 79% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,555,652, or 23% of total revenues for 2011, and \$6,038,622, or 21% of total revenues for 2010.
- The District had \$26,253,881 and \$28,691,786 in expenses for fiscal years 2011 and 2010; only \$6,555,652 for 2011 and \$6,038,622 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,464,094 for 2011 were adequate to provide for these programs. However, general revenues of \$22,385,990 for 2010 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$20,598,655 in revenues and \$17,569,392 in expenditures for 2011, and \$20,442,362 in revenues and \$20,564,992 in expenditures for 2010. The General Fund's fund balance increased by \$2,331,691, including a prior period adjustment of (\$51,446) from 2010 to 2011, and increased by \$265,653, including a prior period adjustment of (\$162,275), from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$306,067 for 2011 and decreased by \$795,903 for 2010. The decrease for 2011 was due to the recording of depreciation expense for the year.
- Long-term debt decreased by \$1,095,497 for 2011 and increased by \$2,257,975 for 2010. The decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$8,377 for 2011 and increased by \$14,778 for 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Itawamba County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

information, and other information.

**Government-wide Financial Statements**

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

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

**Itawamba County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

**Itawamba County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**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 Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental 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.

**Supplemental 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 assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$20,687,006 as of June 30, 2011.

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 assets at June 30, 2011 and June 30, 2010.

**Itawamba County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 5,094,421	7,278,149	(30)%
Restricted assets	2,667,391	0	
Capital assets, net	<u>30,567,278</u>	<u>30,873,345</u>	(1)%
<b>Total assets</b>	<u>38,329,090</u>	<u>38,151,494</u>	0%
Current liabilities	698,290	2,199,132	(68)%
Long-term debt outstanding	<u>16,943,794</u>	<u>18,030,914</u>	(6)%
<b>Total liabilities</b>	<u>17,642,084</u>	<u>20,230,046</u>	(13)%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	14,461,278	13,479,345	7%
Restricted	4,005,404	4,315,365	(7)%
Unrestricted	<u>2,220,324</u>	<u>126,738</u>	1652%
<b>Total net assets</b>	<u>\$ 20,687,006</u>	<u>17,921,448</u>	15%

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

- Decrease in net capital assets in the amount of \$306,067.
- The principal retirement of \$1,390,913 of long-term debt.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$29,019,746 and \$28,424,612, respectively. The total cost of all programs and services was \$26,253,881 for 2011 and \$28,691,786 for 2010.

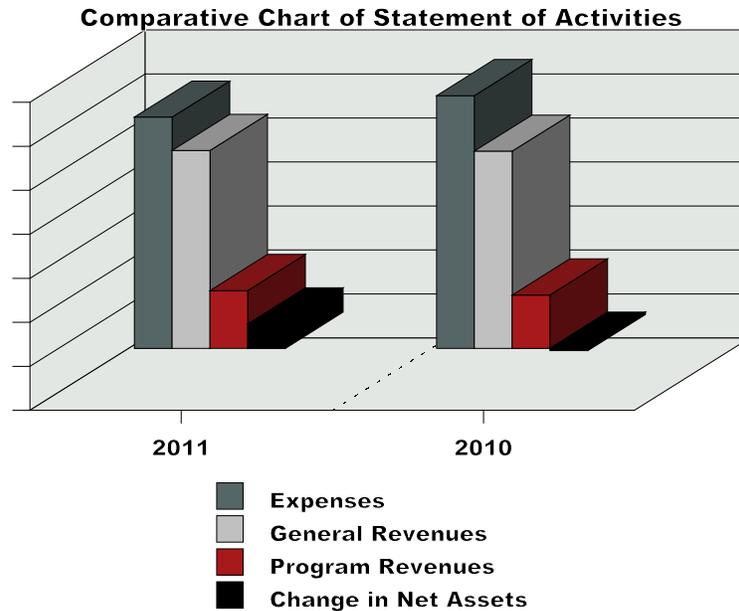
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Itawamba County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Table 2**  
**Changes in Net Assets**

	<b>Year Ended June 30, 2011</b>	<b>Year Ended June 30, 2010</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,285,010	1,311,955	(2)%
Operating grants and contributions	5,270,642	4,608,812	14%
Capital grants and contributions	<u>0</u>	<u>117,855</u>	(100)%
<b>Total program revenues</b>	<u>6,555,652</u>	<u>6,038,622</u>	9%
General revenues:			
Property taxes	5,393,386	5,024,162	7%
Grants and contributions not restricted	16,906,811	17,214,930	(2)%
Unrestricted investment earnings	163,897	108,109	52%
Other	<u>0</u>	<u>38,789</u>	(100)%
<b>Total general revenues</b>	<u>22,464,094</u>	<u>22,385,990</u>	0%
<b>Total revenues</b>	<u>29,019,746</u>	<u>28,424,612</u>	2%
<b>Expenses:</b>			
Instruction	16,176,324	17,813,285	(9)%
Support services	7,470,736	8,336,011	(10)%
Non-instructional	2,028,607	1,985,489	2%
Sixteenth section	2,397	0	
Interest on long-term debt	<u>575,817</u>	<u>557,001</u>	3%
<b>Total expenses</b>	<u>26,253,881</u>	<u>28,691,786</u>	(8)%
 Increase (Decrease) in net assets	 <u>2,765,865</u>	 <u>(267,174)</u>	 1135%
 Net Assets, July 1, as originally reported	 17,921,448	 18,213,589	 (2)%
Prior Period Adjustment	<u>(307)</u>	<u>(24,967)</u>	(99)%
Net Assets, July 1, as restated	<u>17,921,141</u>	<u>18,188,622</u>	(1)%
Net Assets, June 30	<u>\$ 20,687,006</u>	<u>17,921,448</u>	15%

**Itawamba County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**



**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 debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3**  
**Net Cost of Governmental Activities**

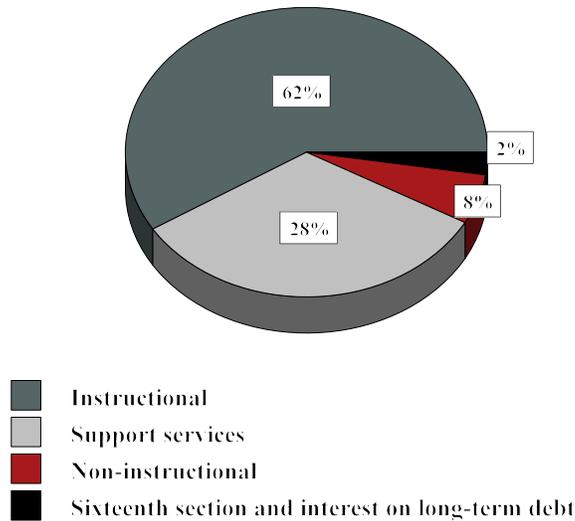
	<b>Total Expenses</b>		
	<b>2011</b>	<b>2010</b>	<b>Percentage Change</b>
Instruction	\$ 16,176,324	17,813,285	(9)%
Support services	7,470,736	8,336,011	(10)%
Non-instructional	2,028,607	1,985,489	2%
Sixteenth section	2,397	0	
Interest on long-term liabilities	575,817	557,001	3%
<b>Total expenses</b>	<b>\$ 26,253,881</b>	<b>28,691,786</b>	<b>(8)%</b>

**Itawamba County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Net (Expense) Revenue**

	<b>2011</b>	<b>2010</b>	<b>Percentage Change</b>
Instruction	\$ (12,481,076)	(14,891,777)	(16)%
Support services	(6,623,538)	(7,330,806)	(10)%
Non-instructional	(15,401)	126,420	(112)%
Sixteenth section	(2,397)	0	
Interest on long-term liabilities	(575,817)	(557,001)	3%
<b>Total net (expense) revenue</b>	<b>\$ (19,698,229)</b>	<b>(22,653,164)</b>	<b>(13)%</b>

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$19,698,229 for 2011 and \$22,653,164 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$5,393,386 for 2011 and \$5,024,162 for 2010) and state and federal revenues (\$16,906,811 for 2011 and \$17,214,930 for 2010).
- Investment earnings amounted to \$163,897 for 2011 and \$108,109 for 2010.

**Itawamba County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**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 \$7,270,549, an increase of \$2,000,410, which includes a prior period adjustment of \$2 and an increase in inventory of \$7,870. \$2,746,591 or 38% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,523,958 or 62% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,331,691, which included a prior period adjustment of (\$51,446) . The fund balance of Other Governmental Funds showed a increase in the amount of \$433,073, which includes a prior period adjustment of \$102,123 and an increase in inventory of \$7,870 to reflect the change in inventory during the year. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
EHA Part B Fund	\$ (30,769)
QSCB Expenditures Fund	(733,585)

**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.

**Itawamba County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

- Revenues from federal sources in the General Fund were increased. Original amounts were underestimated.
- Revenues from local and federal sources as well as expenditures from instructional and support services were increased to reflect actual revenues and expenditures. Amounts originally budgeted were underestimated.

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 supplemental information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$44,456,346, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$677,433 from 2010. Total accumulated depreciation as of June 30, 2011, was \$13,889,068, and total depreciation expense for the year was \$990,128, resulting in total net capital assets of \$30,567,278.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 1,161,634	1,161,634	0%
Construction in progress	573,086	31,600	1714%
Buildings	27,204,860	27,917,666	(3)%
Building improvements	8,683	28,764	(70)%
Improvements other than buildings	410,840	451,259	(9)%
Mobile equipment	1,106,341	1,200,939	(8)%
Furniture and equipment	101,834	81,483	25%
<b>Total</b>	<u>\$ 30,567,278</u>	<u>30,873,345</u>	<u>(1)%</u>

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

**Debt Administration.** At June 30, 2011, the District had \$16,943,794 in outstanding long-term debt, of which \$1,536,534 is due within one year. The liability for compensated absences increased \$8,377 from the prior year. The District made principal payments on long-term debt in the amount of \$1,390,913. During the fiscal year, the District received proceeds from the issuance of shortfall notes in the amount of \$295,416.

**Itawamba County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 4,545,000	5,010,000	(9)%
Limited obligation bonds payable	3,799,000	4,207,000	(10)%
Certificates of participation payable	1,645,000	1,865,000	(12)%
Three mill notes payable	3,117,000	3,312,000	(6)%
Shortfall notes payable	513,478	320,975	60%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	324,316	315,939	3%
<b>Total</b>	<b>\$ <u>16,943,794</u></b>	<b><u>18,030,914</u></b>	<b><u>(6)%</u></b>

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

**CURRENT ISSUES**

The District's enrollment for the 2010-2011 year decreased by 4% to 3,450 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Itawamba County School District, 605 S. Cummings Street, Fulton, MS 38843.

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## FINANCIAL STATEMENTS

# ITAWAMBA COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
JUNE 30, 2011

Exhibit A

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 3,290,612
<i>Due from other governments</i>	1,595,374
<i>Other receivables, net</i>	105,048
<i>Inventories</i>	51,727
<i>Deferred debt issuance costs</i>	51,660
<i>Restricted assets</i>	2,667,391
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	1,161,634
<i>Construction in progress</i>	573,086
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Building</i>	27,204,860
<i>Building improvements</i>	8,683
<i>Improvement other than buildings</i>	410,840
<i>Mobile equipment</i>	1,106,341
<i>Furniture and equipment</i>	101,834
Total Assets	<u>38,329,090</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	319,292
<i>Unearned revenue</i>	41,097
<i>Other payables</i>	79,214
<i>Interest payable on long-term liabilities</i>	258,687
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	1,334,000
<i>Non-capital related liabilities</i>	202,534
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	14,772,000
<i>Non-capital related liabilities</i>	635,260
Total Liabilities	<u>17,642,084</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	14,461,278
Restricted For:	
Expendable:	
School Based Activities	672,712
Debt Service	1,065,594
Capital Projects	2,172,455
Unemployment Benefits	94,643
Unrestricted	2,220,324
Total Net Assets	<u>\$ 20,687,006</u>

The accompanying notes are an integral part of this statement.

**ITAWAMBA COUNTY SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:				Governmental Activities
<i>Instruction</i>	16,176,324	713,948	2,981,300	(12,481,076)
<i>Support services</i>	7,470,736	--	847,198	(6,623,538)
<i>Noninstructional services</i>	2,028,607	571,062	1,442,144	(15,401)
<i>Sixteenth section</i>	2,397	--	--	(2,397)
<i>Interest on long-term liabilities</i>	575,817	--	--	(575,817)
Total Governmental Activities	<u>\$ 26,253,881</u>	<u>\$ 1,285,010</u>	<u>\$ 5,270,642</u>	<u>(19,698,229)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				4,333,891
<i>Debt purpose levies</i>				1,059,495
<i>Unrestricted grants and contributions:</i>				
<i>State</i>				15,741,287
<i>Federal</i>				1,165,524
<i>Unrestricted investment earnings</i>				163,897
Total General Revenues				<u>22,464,094</u>
				Change in Net Assets
				<u>2,765,865</u>
				Net Assets - Beginning, as originally reported
				17,921,448
				Prior Period Adjustment
				(307)
				Net Assets - Beginning, as restated
				<u>17,921,141</u>
				Net Assets - Ending
				<u>\$ 20,687,006</u>

The accompanying notes are an integral part of this statement.

# ITAWAMBA COUNTY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	EHA Part B Fund
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
<i>Cash and cash equivalents</i>	\$ 1,911,258	\$ --
<i>Investments</i>	--	--
<i>Due from other governments</i>	888,654	132,670
<i>Other receivables, net</i>	86,001	--
<i>Due from other funds</i>	290,076	--
<i>Inventories</i>	--	--
<b>Total Assets</b>	<u>\$ 3,175,989</u>	<u>\$ 132,670</u>
 <b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 138,762	\$ 1,415
Due to other funds	--	162,024
Unearned revenue	--	--
Other payables	--	--
<b>Total Liabilities</b>	<u>138,762</u>	<u>163,439</u>
 <b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Inventory	--	--
<b>Restricted for:</b>		
Unemployment benefits	--	--
Capital projects	--	--
Debt service	--	--
Grant Activities	--	--
Food Service	--	--
<b>Assigned:</b>		
General activity	259,541	--
Other purposes	326	--
<b>Unassigned</b>	<u>2,777,360</u>	<u>(30,769)</u>
<b>Total Fund Balances</b>	<u>3,037,227</u>	<u>(30,769)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,175,989</u>	<u>\$ 132,670</u>

The accompanying notes are an integral part of this statement.

Exhibit C

QSCB Expenditures Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,316,337	\$ 1,379,379	\$ 5,606,974
--	351,028	351,028
--	574,050	1,595,374
17,883	1,164	105,048
--	--	290,076
--	51,727	51,727
<u>\$ 2,334,220</u>	<u>\$ 2,357,348</u>	<u>\$ 8,000,227</u>

\$ 162,031	\$ 17,083	\$ 319,291
--	128,052	290,076
--	41,097	41,097
--	79,214	79,214
<u>162,031</u>	<u>265,446</u>	<u>729,678</u>

--	51,727	51,727
--	94,643	94,643
2,172,189	266	2,172,455
--	1,324,281	1,324,281
--	539,059	539,059
--	81,926	81,926
--	--	259,541
--	--	326
--	--	2,746,591
<u>2,172,189</u>	<u>2,091,902</u>	<u>7,270,549</u>
<u>\$ 2,334,220</u>	<u>\$ 2,357,348</u>	<u>\$ 8,000,227</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT***RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**TO THE STATEMENT OF NET ASSETS**JUNE 30, 2011*

Total fund balances for governmental funds	\$ 7,270,549
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	30,567,278
Liabilities due in one year are not reported in the funds.	(1,536,534)
Payables for bond principal which are not due in the current period are not reported in the funds.	(10,443,000)
Payables for certificate of participation which are not due in the current period are not reported in the funds.	(1,415,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(258,687)
Payables for notes not due in the current period are not reported in the funds.	(3,224,944)
Payables for compensated absences not due in the current period are not reported in the funds.	(324,316)
Bond issuance costs are capitalized in the SNA.	<u>51,660</u>
Net assets of governmental activities	<u>\$ 20,687,006</u>

The accompanying notes are an integral part of this statement.

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**ITAWAMBA COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	EHA Part B Fund
<b>Revenues:</b>		
Local sources	\$ 5,121,793	\$ 335
State sources	15,306,219	--
Federal sources	170,643	946,792
Total Revenues	<u>20,598,655</u>	<u>947,127</u>
<b>Expenditures:</b>		
Instruction	11,139,437	416,995
Support services	6,013,618	510,226
Noninstructional services	--	--
Sixteenth section	2,397	--
Facilities acquisition and construction	107,185	--
Debt service:		
Principal	220,000	--
Interest	83,715	--
Other	3,040	--
Total Expenditures	<u>17,569,392</u>	<u>927,221</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,029,263</u>	<u>19,906</u>
<b>Other Financing Sources (Uses):</b>		
Proceeds of loans	295,416	--
Insurance loss recoveries	41,155	--
Transfers in	2,878	--
Transfers out	(985,575)	--
Total Other Financing Sources (Uses)	<u>(646,126)</u>	<u>--</u>
Net Change in Fund Balances	<u>2,383,137</u>	<u>19,906</u>
<b>Fund Balances:</b>		
July 1, 2010, as previously reported	705,536	--
Prior period adjustments	(51,446)	(50,675)
July 1, 2010, as restated	<u>654,090</u>	<u>(50,675)</u>
Increase (decrease) in reserve for inventory	--	--
June 30, 2011	<u>\$ 3,037,227</u>	<u>\$ (30,769)</u>

The accompanying notes are an integral part of this statement.

Exhibit D

QSCB Expenditures Fund	Other Governmental Funds	Total Governmental Funds
\$ 72,647	\$ 1,665,096	\$ 6,859,871
--	1,192,991	16,499,210
--	4,543,230	5,660,665
<u>72,647</u>	<u>7,401,317</u>	<u>29,019,746</u>
--	3,970,961	15,527,393
333,661	508,438	7,365,943
--	1,937,465	1,937,465
--	--	2,397
472,571	--	579,756
--	1,170,913	1,390,913
--	470,217	553,932
--	2,940	5,980
<u>806,232</u>	<u>8,060,934</u>	<u>27,363,779</u>
(733,585)	(659,617)	1,655,967
--	--	295,416
--	--	41,155
--	996,964	999,842
--	(14,267)	(999,842)
<u>--</u>	<u>982,697</u>	<u>336,571</u>
(733,585)	323,080	1,992,538
2,905,774	1,658,829	5,270,139
--	102,123	2
<u>2,905,774</u>	<u>1,760,952</u>	<u>5,270,141</u>
--	7,870	7,870
<u>\$ 2,172,189</u>	<u>\$ 2,091,902</u>	<u>\$ 7,270,549</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT**

Exhibit D-1

*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, 2011*

Net change in fund balances - total governmental funds \$ 1,992,538

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	685,399
The depreciation of capital assets used in governmental activities is not reported in the funds.	(990,128)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(1,029)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	873,000
Repayment of certificate of participation principal is an expenditure in the funds but is not an expense in the SOA.	220,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	297,913
(Increase) decrease in accrued interest from beginning of period to end of period.	(9,448)
Change in inventory affects fund balance in the funds but expense in the SOA.	7,870
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(8,377)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(295,416)
Debt issuance costs are amortized in the Statement of Net Assets.	<u>(6,457)</u>

Change in net assets of governmental activities \$ 2,765,865

The accompanying notes are an integral part of this statement.

**ITAWAMBA COUNTY SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES*  
*FIDUCIARY FUNDS*  
*JUNE 30, 2011*

Exhibit E

	Agency Funds
<b>Assets:</b>	
<i>Cash and other deposits</i>	\$ 1,468,717
<b>Total Assets</b>	<u>\$ 1,468,717</u>
<b>Liabilities:</b>	
<i>Accounts payable and accrued liabilities</i>	\$ 1,411,150
<i>Due to student clubs</i>	57,567
<b>Total Liabilities</b>	<u>\$ 1,468,717</u>

The accompanying notes are an integral part of this statement.

**Itawamba County School District**

Notes to the Financial Statements  
June 30, 2011

## **Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

### **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. Basis of Presentation**

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

#### **B. 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 is elected by the citizens of each defined county district.

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

#### **C. Government-wide and Fund Financial Statements**

Government-wide Financial Statements - The Statement of Net Assets 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

## Itawamba County School District

### Notes to the Financial Statements For the Year Ended June 30, 2011

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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have 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.

## Itawamba County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2011

EHA Part B Fund - This fund accounts for the federal funds received to provide special education and related services to all children with disabilities.

QSCB Expenditures Fund - This fund accounts for the revenues and expenditures associated with the Qualified School Construction Bonds that were created by Section 1512 of the American Recovery and Reinvestment Act. From the fund are paid the expenditures that are associated with the construction, rehabilitation or repair of a public school facility.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

## Itawamba County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2011

### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Assets 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 authorities 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

## **Itawamba County School District**

### Notes to the Financial Statements For the Year Ended June 30, 2011

are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in 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 are both restricted and unrestricted net assets 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 2005 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.

#### **E. Encumbrances**

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

#### **F. Assets, liabilities, and net assets/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

## Itawamba County School District

### Notes to the Financial Statements For the Year Ended June 30, 2011

deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

#### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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.

## Itawamba County School District

### Notes to the Financial Statements For the Year Ended June 30, 2011

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents and cash equivalents in a capital projects fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board

#### 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 column in the government-wide Statement of Net Assets. 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.

# Itawamba County School District

## Notes to the Financial Statements For the Year Ended June 30, 2011

The following schedule details the capitalization thresholds:

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

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

### 7. Compensated Absences

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

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

### 8. Long-term Liabilities and Deferred Debt Expense

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. Currently there are no bond issue costs, bond discounts or premiums presented in this report.

## Itawamba County School District

### Notes to the Financial Statements For the Year Ended June 30, 2011

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

#### 9. Fund Balances

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

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

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

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

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

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

*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

## **Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

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

### **Note 2 - Cash and Cash Equivalents and Investments**

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

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

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

# Itawamba County School District

## Notes to the Financial Statements For the Year Ended June 30, 2011

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 \$5,606,974 and \$1,468,717, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$7,831,907 was exposed to custodial credit risk.

### Investments

As of June 30, 2011 the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities Market Mutual Funds	AAAm	Less than one year	\$ <u>351,028</u>

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

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

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

**Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

**Note 3 - Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	EHA Part B Fund	\$ 162,024
	Other Governmental Funds	128,052
		290,076

The purpose of the Due From/To other funds balances was to cover deficit cash balances at year end. All balances are expected to be repaid within one year from the date of the financial statements.

**B. Inter-fund Transfers**

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 2,878
Other Governmental Funds	General	985,575
	Other Governmental Funds	11,389
Total		\$ 999,842

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

**Note 4 - Restricted Assets**

The restricted assets represent the cash balance in the amount of \$2,316,337 of the QSCB Expenditures Fund.

In addition, the restricted assets represent the cash and investment balance, totaling \$26 and \$135,011, respectively, of the QSCB Sinking Fund.

In addition, the restricted assets represent the investment balance in the amount \$216,017 of the MAEP Bonds Capitalized Interest Fund.

# Itawamba County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2011

## Note 5 - Capital Assets

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

	Balance 7-1-2010	Additions	Retirements	Adjustments	Balance 6-30-2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,161,634				1,161,634
Construction in progress	31,600	579,756		(38,270)	573,086
Total non-depreciable capital assets	<u>1,193,234</u>	<u>579,756</u>	<u>0</u>	<u>(38,270)</u>	<u>1,734,720</u>
<u>Depreciable capital assets:</u>					
Buildings	36,957,140				36,957,140
Building improvements	39,950				39,950
Improvements other than buildings	1,128,600				1,128,600
Mobile equipment	3,748,959	93,233	9,250		3,832,942
Furniture and equipment	711,030	12,410	10,376	49,930	762,994
Total depreciable capital assets	<u>42,585,679</u>	<u>105,643</u>	<u>19,626</u>	<u>49,930</u>	<u>42,721,626</u>
<u>Less accumulated depreciation for:</u>					
Buildings	9,039,474	712,806			9,752,280
Building improvements	11,186	15,287		4,794	31,267
Improvements other than buildings	677,341	40,419			717,760
Mobile equipment	2,548,020	179,731	8,325	7,175	2,726,601
Furniture and equipment	629,547	41,885	10,272		661,160
Total accumulated depreciation	<u>12,905,568</u>	<u>990,128</u>	<u>18,597</u>	<u>11,969</u>	<u>13,889,068</u>
Total depreciable capital assets, net	<u>29,680,111</u>	<u>(884,485)</u>	<u>1,029</u>	<u>37,961</u>	<u>28,832,558</u>
Governmental activities capital assets, net	\$ <u>30,873,345</u>	<u>(304,729)</u>	<u>1,029</u>	<u>(309)</u>	<u>30,567,278</u>

Adjustments were made to record the cancellation of a capital project and some immaterial amounts to restate capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 693,090
Support services	198,026
Non-instructional	99,012
Total depreciation expense	\$ <u>990,128</u>

# Itawamba County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2011

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
<b>Governmental Activities:</b>		
VO Tech Reroofing Project	\$ 21,775	367,744
IAHS Roof	499,361	
IAC Awnings	51,950	
Total construction in progress	<u>\$ 573,086</u>	<u>367,744</u>

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

## Note 6 - Long-term Liabilities

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

	Balance 7-1-2010	Additions	Reductions	Balance 6-30-2011	Amount due within one year
A. General obligation bonds payable	\$ 5,010,000		465,000	4,545,000	480,000
B. Limited obligation bonds payable	4,207,000		408,000	3,799,000	421,000
C. Certificates of participation	1,865,000		220,000	1,645,000	230,000
D. Three mill notes payable	3,312,000		195,000	3,117,000	203,000
E. Shortfall notes payable	320,975	295,416	102,913	513,478	202,534
F. Qualified school construction bonds payable	3,000,000			3,000,000	
G. Compensated absences payable	315,939	8,377		324,316	
Total	<u>\$ 18,030,914</u>	<u>303,793</u>	<u>1,390,913</u>	<u>16,943,794</u>	<u>1,536,534</u>

### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2003	3.5-4.0%	04-01-03	04-01-19	<u>\$ 6,700,000</u>	<u>4,545,000</u>

#### 1. Bond issue of Series 2002:

This debt was paid off and retired from the Bond Retirement #1 Fund.

**Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

2. Bond issue of Series 2003:

Year Ending June 30	Principal	Interest	Total
2012	\$ 480,000	161,983	641,983
2013	505,000	146,383	651,383
2014	530,000	129,718	659,718
2015	555,000	111,698	666,698
2016	580,000	92,273	672,273
2017 - 2019	<u>1,895,000</u>	<u>145,178</u>	<u>2,040,178</u>
Total	<u>\$ 4,545,000</u>	<u>787,233</u>	<u>5,332,233</u>

This debt will be retired from the Bond Retirement #2 Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 4.04% of property assessments as of October 1, 2010.

**B. Limited obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement Bonds, Series 2008	3.32%	04-15-08	02-01-18	\$ <u>4,282,000</u>	<u>3,799,000</u>

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

**Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

Year Ending June 30		Principal	Interest	Total
2012	\$	421,000	119,138	540,138
2013		435,000	104,929	539,929
2014		450,000	90,238	540,238
2015		465,000	75,049	540,049
2016		480,000	59,362	539,362
2017-2018		<u>1,548,000</u>	<u>69,571</u>	<u>1,617,571</u>
Total	\$	<u><u>3,799,000</u></u>	<u><u>518,287</u></u>	<u><u>4,317,287</u></u>

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

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

**C. Certificates of participation payable**

As more fully explained in Note 11, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 1998	4.5-5.7%	06/01/1998	06/01/2018	\$ 1,300,000	605,000
Series 2001	3.1-4.8%	10/01/2001	10/01/2016	<u>2,200,000</u>	<u>1,040,000</u>
Total				<u><u>\$ 3,500,000</u></u>	<u><u>1,645,000</u></u>

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

**Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

1. Certificates of participation issue date of 6/1/1998:

Year Ending June 30	Principal	Interest	Total
2012	\$ 75,000	29,433	104,433
2013	80,000	25,870	105,870
2014	80,000	22,030	102,030
2015	85,000	18,130	103,130
2016	90,000	13,965	103,965
2017 - 2018	195,000	14,455	209,455
Total	<u>\$ 605,000</u>	<u>123,883</u>	<u>728,883</u>

This debt will be retired from the District Maintenance Fund.

2. Certificates of participation issue date of 10/1/2001:

Year Ending June 30	Principal	Interest	Total
2012	\$ 155,000	44,285	199,285
2013	160,000	37,315	197,315
2014	170,000	29,930	199,930
2015	175,000	22,080	197,080
2016	185,000	13,708	198,708
2017	195,000	4,680	199,680
Total	<u>\$ 1,040,000</u>	<u>151,998</u>	<u>1,191,998</u>

This debt will be retired from the District Maintenance Fund.

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 230,000	73,718	303,718
2013	240,000	63,185	303,185
2014	250,000	51,960	301,960
2015	260,000	40,210	300,210
2016	275,000	27,673	302,673
2017 - 2018	390,000	19,135	409,135
Total	<u>\$ 1,645,000</u>	<u>275,881</u>	<u>1,920,881</u>

**Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

**D. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2009	3.97%	07-15-08	07-15-23	\$ 3,500,000	3,117,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 203,000	123,745	326,745
2013	211,000	115,686	326,686
2014	219,000	107,309	326,309
2015	228,000	98,615	326,615
2016	237,000	89,563	326,563
2017 - 2021	1,354,000	298,544	1,652,544
2022 - 2024	665,000	52,523	717,523
Total	\$ 3,117,000	885,985	4,002,985

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

**E. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2009	3.91%	08-20-09	08-20-12	\$ 320,975	218,062
Series 2010	2.98%	07-09-10	07-09-13	295,416	295,416
Total				\$ 616,391	513,478

1. Shortfall notes payable issue of 8/20/2009:

Year Ending June 30	Principal	Interest	Total
2012	\$ 106,939	8,530	115,469
2013	111,123	4,347	115,470
Total	\$ 218,062	12,877	230,939

**Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

2. Shortfall notes payable issue of 7/9/2010:

Year Ending June 30	Principal	Interest	Total
2012	\$ 95,595	8,803	104,398
2013	98,444	5,955	104,399
2014	101,377	3,021	104,398
Total	\$ <u>295,416</u>	<u>17,779</u>	<u>313,195</u>

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 202,534	17,333	219,867
2013	209,567	10,302	219,869
2014	101,377	3,021	104,398
Total	\$ <u>513,478</u>	<u>30,656</u>	<u>544,134</u>

**F. Qualified school construction bonds payable**

As more fully explained in Note 14, 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
Series 2010	0.84%	01-15-10	09-15-24	\$ <u>3,000,000</u>	<u>3,000,000</u>

**G. Compensated absences payable**

As more fully explained in Note 1(F)(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,

## **Itawamba County School District**

### Notes to the Financial Statements For the Year Ended June 30, 2011

and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of the 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, 2011, 2010 and 2009 were \$1,807,667, \$1,993,202, and \$1,947,105, respectively, which equaled the required contributions for each year.

#### **Note 8 - Other Commitments**

Commitments under construction contracts are described in Note 5.

#### **Note 9 - Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 72 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

## **Itawamba County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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 10 - Contingencies**

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

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

### **Note 11 - Trust Certificates**

A trust agreement date June 1, 1998, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,300,000. The proceeds are to be used for capital improvements within the school district.

Another trust agreement dated October 1, 2001, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the First National Bank of Clarksdale, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,200,000. The proceeds are to be used for capital improvements within the school district.

The above projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-51, et seq., Miss. Code Ann. (1972). The leases represent capital leases under which ownership of the projects will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

## Itawamba County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2011

It is not anticipated the projects will have sufficient value to satisfy the certificates in the event the school district defaults under the leases; therefore, the source of payment of the certificates is the responsibility of the school district. See note 6 for the details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

### Note 12 - Insurance Loss Recoveries

The Itawamba County School District received \$41,155 in insurance loss recoveries related to storm damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense function based on the following percentage as follows:

<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expenditure Function</u>
\$ <u>41,155</u>	100%	Instructional

### Note 13 - Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

#### Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1 To properly present capital assets at year end.	\$ <u>(307)</u>

## Itawamba County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2011

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
1 General Fund	To correctly present "Due to/from" monies not reversed in proper period.	\$ (51,446)
3 EHA Part B Fund	To correctly present "Due to/from" monies not reversed in proper period.	(50,675)
4 Other Governmental Funds	To correctly present "Due to/from" monies not reversed in proper period.	102,123
Total		<u>\$ 2</u>

### **Note 14 - Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$135,036. The indicated deposit amounts are estimates since they will be reduced by the amount of the prior 12 months' interest earnings. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

## Itawamba County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2011

<u>Year Ending June 30</u>		<u>Amount</u>
2012	\$	135,000
2013		175,000
2014		175,000
2015		175,000
2016		210,000
2017 - 2021		1,050,000
2022 - 2025		945,000
Total	\$	<u>2,865,000</u>

### Note 15 - Subsequent Events

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Itawamba County School District evaluated the activity of the district through May 30, 2013, and determined that the following subsequent events have occurred requiring in the notes to the financial statements:

On October 1, 2011, the school district issued Shortfall Note in the amount of \$692,292 with an interest rate of 2.32%.

On August 15, 2012, the school district issued Shortfall Note in the amount of \$228,393 with an interest rate of 2.67%.

REQUIRED SUPPLEMENTAL INFORMATION

**ITAWAMBA COUNTY SCHOOL DISTRICT**

**Exhibit 1**

Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,231,074	4,173,089	5,121,793	(57,985)	948,704
State sources	15,839,994	15,297,793	15,306,219	(542,201)	8,426
Federal sources	95,000	105,766	170,643	10,766	64,877
Total Revenues	<u>20,166,068</u>	<u>19,576,648</u>	<u>20,598,655</u>	<u>(589,420)</u>	<u>1,022,007</u>
<b>Expenditures:</b>					
Instruction	10,563,079	8,792,999	11,139,437	1,770,080	(2,346,438)
Support services	5,919,093	5,698,377	6,013,618	220,716	(315,241)
Sixteenth section	20,000	2,396	2,397	17,604	(1)
Facilities acquisition and construction	0	2,397	107,185	(2,397)	(104,788)
Debt service:					
Principal	282,415	220,000	220,000	62,415	0
Interest	83,715	83,715	83,715	0	0
Other	5,500	3,040	3,040	2,460	0
Total Expenditures	<u>16,873,802</u>	<u>14,802,924</u>	<u>17,569,392</u>	<u>2,070,878</u>	<u>(2,766,468)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,292,266</u>	<u>4,773,724</u>	<u>3,029,263</u>	<u>1,481,458</u>	<u>(1,744,461)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of notes	0	0	295,416	0	295,416
Insurance loss recoveries	0	41,155	41,155	41,155	0
Operating transfers In	1,005,000	2,879	2,878	(1,002,121)	(1)
Operating transfers Out	(3,644,176)	(3,366,437)	(985,575)	277,739	2,380,862
Total Other Financing Sources (Uses)	<u>(2,639,176)</u>	<u>(3,322,403)</u>	<u>(646,126)</u>	<u>(683,227)</u>	<u>2,676,277</u>
Net Change in Fund Balances	<u>653,090</u>	<u>1,451,321</u>	<u>2,383,137</u>	<u>798,231</u>	<u>931,816</u>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported	0	697,013	705,536	697,013	8,523
Prior Period Adjustment	0	(110,000)	(51,446)	(110,000)	58,554
July 1, 2010, as restated	0	587,013	654,090	587,013	67,077
June 30, 2011	<u>\$ 653,090</u>	<u>2,038,334</u>	<u>3,037,227</u>	<u>1,385,244</u>	<u>998,893</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT**

**Exhibit 2**

Budgetary Comparison Schedule  
 EHA Part B Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 0	334	335	334	1
Federal sources	790,950	946,792	946,792	155,842	0
Total Revenues	<u>790,950</u>	<u>947,126</u>	<u>947,127</u>	<u>156,176</u>	<u>1</u>
<b>Expenditures:</b>					
Instructional	222,238	416,995	416,995	(194,757)	0
Support services	278,382	510,226	510,226	(231,844)	0
Total Expenditures	<u>500,620</u>	<u>927,221</u>	<u>927,221</u>	<u>(426,601)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>290,330</u>	<u>19,905</u>	<u>19,906</u>	<u>(270,425)</u>	<u>1</u>
<b>Other Financing Sources (Uses):</b>					
Other financing sources	0	0	0	0	0
Operating transfers out	(289,634)	0	0	289,634	0
Total Other Financing Sources (Uses)	<u>(289,634)</u>	<u>0</u>	<u>0</u>	<u>289,634</u>	<u>0</u>
Net Change in Fund Balances	<u>696</u>	<u>19,905</u>	<u>19,906</u>	<u>19,209</u>	<u>1</u>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported	0	0	0	0	0
Prior period adjustments	0	0	(50,675)	0	(50,675)
July 1, 2010, as restated	<u>0</u>	<u>0</u>	<u>(50,675)</u>	<u>0</u>	<u>(50,675)</u>
June 30, 2011	<u>\$ 696</u>	<u>19,905</u>	<u>(30,769)</u>	<u>19,209</u>	<u>(50,674)</u>

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

## **Itawamba County School District**

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

### 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.

## SUPPLEMENTAL INFORMATION

**Itawamba County School District**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 418,765
National School Lunch Program	10.555	1,089,501
Total Child Nutrition Cluster		<u>1,508,266</u>
Total passed-through the Mississippi Department of Education		<u>1,508,266</u>
<b>Total U. S. Department of Agriculture</b>		<u>1,508,266</u>
<b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraires Program of the Universal Service Fund	32.xxx	113,434
<b>Total Federal Communications Commission</b>		<u>113,434</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	662,389
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	204,267
Total Title I cluster		<u>866,656</u>
Career and Technical Education - Basic Grants to States	84.048	34,364
Improving Teacher Quality State Grants	84.367	155,406
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	994,881
Education Jobs Fund	84.410	742,917
Subtotal		<u>1,927,568</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	946,792
Special Education - Preschool Grants	84.173	81,302
ARRA - Special Education - Grants to States, Recovery Act	84.391	158,601
Total Special Education Cluster		<u>1,186,695</u>
Total passed-through the Mississippi Department of Education		<u>3,980,919</u>
<b>Total U. S. Department of Education</b>		<u>3,980,919</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	105,766
Total passed-through Mississippi Department of Education		<u>105,766</u>
<b>Total U. S. Department of Health and Human Services</b>		<u>105,766</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u><u>5,708,385</u></u>

Notes to Schedule

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

**Itawamba County School District****Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2011

<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	\$ 20,288,717	15,901,132	732,651	1,435,841	2,219,093
Other	7,075,062	1,478,695	186,347	133,550	5,276,470
Total	\$ <u>27,363,779</u>	<u>17,379,827</u>	<u>918,998</u>	<u>1,569,391</u>	<u>7,495,563</u>
Total number of students *	<u>3,450</u>				
Cost per student	\$ <u>7,932</u>	<u>5,038</u>	<u>266</u>	<u>455</u>	<u>2,173</u>

For purpose 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; 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

**ITAWAMBA COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 5,121,793	4,813,290	4,805,849	4,774,679
State sources	15,306,219	15,487,485	17,262,060	17,802,575
Federal sources	170,643	141,587	185,496	171,693
Total Revenues	<u>20,598,655</u>	<u>20,442,362</u>	<u>22,253,405</u>	<u>22,748,947</u>
<b>Expenditures:</b>				
Instruction	11,139,437	13,177,396	14,661,665	14,522,745
Support services	6,013,618	6,909,579	6,946,593	6,569,721
Noninstructional services	0	14,614	0	0
Sixteenth section	2,397	0	0	0
Facilities acquisition and construction	107,185	7,500	2,008,281	1,743,331
Debt service:				
Principal	220,000	355,000	430,000	400,000
Interest	83,715	96,463	119,301	134,992
Other	3,040	4,440	27,626	0
Total Expenditures	<u>17,569,392</u>	<u>20,564,992</u>	<u>24,193,466</u>	<u>23,370,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,029,263</u>	<u>(122,630)</u>	<u>(1,940,061)</u>	<u>(621,842)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of notes	295,416	320,975	0	0
Sale of transportation equipment	0	0	13,584	0
Sale of other property	0	17,574	0	0
Insurance loss recoveries	41,155	16,106	43,833	0
Other financing sources	0	491	4,646	0
Operating transfers in	2,878	1,129,422	2,863,740	0
Operating transfers out	(985,575)	(934,010)	(1,685,262)	(1,484,991)
Total Other Financing Sources (Uses)	<u>(646,126)</u>	<u>550,558</u>	<u>1,240,541</u>	<u>(1,484,991)</u>
Net Change in Fund Balances	<u>2,383,137</u>	<u>427,928</u>	<u>(699,520)</u>	<u>(2,106,833)</u>
<b>Fund Balances:</b>				
July 1, as originally reported	705,536	439,883	1,131,171	3,224,302
Prior Period Adjustments	(51,446)	(162,275)	8,232	13,702
July 1, as restated	<u>654,090</u>	<u>277,608</u>	<u>1,139,403</u>	<u>3,238,004</u>
June 30,	<u>\$ 3,037,227</u>	<u>705,536</u>	<u>439,883</u>	<u>1,131,171</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**ITAWAMBA COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 6,859,871	6,450,784	6,401,075	6,238,415
State sources	16,499,210	16,640,698	18,487,801	19,033,142
Federal sources	5,660,665	5,294,340	3,296,191	3,258,541
Total Revenues	<u>29,019,746</u>	<u>28,385,822</u>	<u>28,185,067</u>	<u>28,530,098</u>
<b>Expenditures:</b>				
Instruction	15,527,393	17,152,949	17,404,158	17,400,092
Support services	7,365,943	8,177,256	8,107,385	7,712,601
Noninstructional services	1,937,465	1,910,996	2,065,680	1,885,427
Sixteenth section	2,397	0	0	0
Facilities acquisition and construction	579,756	31,600	2,008,281	1,743,331
Debt service:				
Principal	1,390,913	1,063,000	1,180,000	1,310,000
Interest	553,932	568,063	417,496	570,109
Debt service costs	0	23,358	71,173	0
Other	5,980	14,014	3,603	0
Total Expenditures	<u>27,363,779</u>	<u>28,941,236</u>	<u>31,257,776</u>	<u>30,621,560</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,655,967</u>	<u>(555,414)</u>	<u>(3,072,709)</u>	<u>(2,091,462)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds	0	0	4,282,000	0
Proceeds of loans	295,416	3,320,975	3,500,000	0
Insurance loss recoveries	41,155	16,106	43,833	0
Sale of transportation equipment	0	0	13,584	0
Sale of other property	0	17,574	0	0
Other financing sources	0	491	4,646	0
Operating transfers in	999,842	2,544,933	4,549,002	1,484,991
Operating transfers out	(999,842)	(2,544,933)	(4,549,002)	(1,484,991)
Payment to refunded bond escrow agent	0	0	(4,254,000)	0
Total Other Financing Sources (Uses)	<u>336,571</u>	<u>3,355,146</u>	<u>3,590,063</u>	<u>0</u>
Net Change in Fund Balances	<u>1,992,538</u>	<u>2,799,732</u>	<u>517,354</u>	<u>(2,091,462)</u>
<b>Fund Balances:</b>				
July 1, as originally reported	5,270,139	2,498,228	1,968,890	4,048,750
Prior period adjustments	2	(24,967)	8,675	11,984
July 1, as restated	<u>5,270,141</u>	<u>2,473,261</u>	<u>1,977,565</u>	<u>4,060,734</u>
Increase (Decrease) in reserve for inventory	7,870	(2,854)	3,309	(382)
June 30,	<u>\$ 7,270,549</u>	<u>5,270,139</u>	<u>2,498,228</u>	<u>1,968,890</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROLS 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  
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2011, which collectively comprise the Itawamba County School District's basic financial statements and have issued our report thereon dated May 30, 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.

**Internal Control Over Financial Reporting**

Management of Itawamba County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. [Finding 2011-1, 2011-2 and 2011-3.]

## Compliance and Other Matters

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

Itawamba County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit the Itawamba County School District's response and, accordingly, we express no opinion on it.

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

*FORTENBERRY & BALLARD, PC* |

Fortenberry & Ballard, PC  
May 30, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Itawamba County School District

**Compliance**

We have audited Itawamba County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Itawamba County 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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 Itawamba County 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. Our audit does not provide a legal determination on the Itawamba County School District's compliance with those requirements.

In our opinion, the Itawamba County School District complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-4.

## Internal Control Over Compliance

Management of the Itawamba County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Itawamba County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2011-4. 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.

Itawamba County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Itawamba County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, 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  
May 30, 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  
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2011, which collectively comprise the Itawamba County School District's basic financial statements and have issued our report thereon dated May 30, 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.

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

*Fortenberry & Ballard, PC* |

Fortenberry & Ballard, PC  
May 30, 2013

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Itawamba County School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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? Yes.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
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? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.010 & 84.389	Title I Cluster
84.027, 84.173 & 84.391	Special Education Cluster
84.410	Education Jobs Fund
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

## 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*.

### **Material Weaknesses**

#### Finding 2011-1:

During the course of the audit, we noticed an ad valorem settlement for June 2011 received in July 2011 totaling \$114,088 which was not posted to books. Additional journal entries were made to properly reflect this settlement in the financial statements.

#### Recommendation:

A review of the general ledger should be performed monthly to ensure that revenues are properly posted as to fund and function.

#### Finding 2011-2:

During the course of our audit, we noticed the district incorrectly posted federal reimbursements as local sources. Additional journal entries were made to properly reflect these revenues in the financial statements.

#### Recommendation:

A review of the general ledger should be performed monthly to ensure that revenues are properly posted as to fund and function.

#### Finding 2011-3:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability. A critical aspect of financial management is to ensure a proper separation of duties.

While performing our test work, we noted that the custody, recording and reviewing of receipts were performed by one person.

#### Recommendation:

We recommend management implement internal controls to ensure a proper separation of duties.

### Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned costs related to the federal awards.

#### **Significant Deficiency**

##### Finding 2011-4:

Title I Cluster: CFDA# 84.010 and 84.389

Sped Cluster: CFDA # 84.027, 84.173 and 84.391

Compliance requirement: Cash Management

Management is responsible for ensuring that draw downs of federal funds are only for the immediate needs of the district.

The district's records indicated excess fund balances in the Title I Fund and Special Education Funds due to the district requesting funds in excess of its immediate needs from the Mississippi Department of Education.

##### Recommendation:

We recommend management implement internal controls to ensure draw downs of funds are limited to reimbursement basis only. Excess interest earned on federal funds in excess of \$100 should be remitted to the appropriate federal agency.

AUDITEE'S CORRECTIVE ACTION PLAN AND AUDITEE'S SUMMARY SCHEDULE OF  
PRIOR FEDERAL AUDIT FINDINGS

**Itawamba County School District**  
605 S. Cummings Street  
Fulton, MS 38843  
**Michael Nanney - Superintendent**  
**Cheree Brown- Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_\_.315(c) of OMB Circular A-133, the Itawamba County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2011:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Cheree Brown Title: Business Manager Phone Number: 662-862-2159</p> <p>b. Corrective Action Planned:</p> <p>The district will implement internal controls to ensure that revenues are properly posted as to fund and function.</p> <p>c. Anticipated Completion Date:</p> <p>06/30/2012</p>
2011-2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Cheree Brown Title: Business Manager Phone Number: 662-862-2159</p> <p>b. Corrective Action Planned:</p> <p>The district will implement internal controls to ensure that federal expenditures are classified correctly each month to avoid excess reimbursements and interest earned.</p> <p>c. Anticipated Completion Date:</p> <p>06/30/2012</p>

**Itawamba County School District**  
605 S. Cummings Street  
Fulton, MS 38843  
**Michael Nanney - Superintendent**  
**Cheree Brown- Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN (continued)

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-3	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p style="margin-left: 40px;">Name: Cheree Brown Title: Business Manager Phone Number: 662-862-2159</p> <p>b. Corrective Action Planned:</p> <p style="margin-left: 40px;">The district will implement internal controls to ensure a proper separation of duties.</p> <p>c. Anticipated Completion Date:</p> <p style="margin-left: 40px;">06/30/2012</p>
2011-4	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p style="margin-left: 40px;">Name: Cheree Brown Title: Business Manager Phone Number: 662-862-2159</p> <p>b. Corrective Action Planned:</p> <p style="margin-left: 40px;">The district will implement internal controls to ensure that federal expenditures are classified correctly each month to avoid excess reimbursements and interest earned.</p> <p>c. Anticipated Completion Date:</p> <p style="margin-left: 40px;">06/30/2012</p>

**Itawamba County School District**  
605 S. Cummings Street  
Fulton, MS 38843  
**Mr. Michael Nanney - Superintendent**  
**Mrs. Cheree Brown - Business Manager**

AUDITEE'S SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

As required by Section \_\_\_\_ .315(b) of OMB Circular A-133, the Itawamba County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2011:

<u>Finding</u>	<u>Status</u>
2010-02	Not Corrected
2010-03	Not Corrected