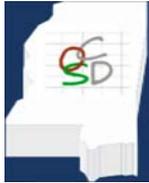




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**Oktibbeha County School District**  
Audited Financial Statements  
For the Year Ended June 30, 2011

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

**Oktibbeha 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  
Oktibbeha 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 Oktibbeha County School District as of and for the year ended June 30, 2011, which collectively comprise the Oktibbeha County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oktibbeha 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 disclosure 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 Oktibbeha County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then 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 July 1, 2013, on our consideration of the Oktibbeha 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 the 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.

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

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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 Oktibbeha 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 purposes of forming opinions on the financial statements that collectively comprise the Oktibbeha 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 of it.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
July 1, 2013

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of Oktibbeha 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 \$660,842 which represents a 28% increase from fiscal year 2010. Total net assets for 2010 increased \$518,269 which represents a 28% increase from fiscal year 2009.
- General revenues amounted to \$8,201,333 and \$8,393,819, or 71% and 71% 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 \$3,333,027, or 29% of total revenues for 2011, and \$3,400,564, or 29% of total revenues for 2010.
- The District had \$10,873,518 and \$11,276,114 in expenses for fiscal years 2011 and 2010; only \$3,333,027 for 2011 and \$3,400,564 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,201,333 for 2011 and \$8,393,819 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,206,373 in revenues and \$7,168,813 in expenditures for 2011, and \$7,238,201 in revenues and \$7,619,677 in expenditures in 2010. The General Fund's fund balance increased by \$218,900 from 2010 to 2011, and increased by \$122,889 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$13,506 for 2011 and decreased by \$83,595 for 2010. The decrease for 2011 was due to the disposal of equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$381,088 for 2011 and decreased by \$377,036 for 2010. This decrease for 2011 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$704 for 2011 and increased by \$7,261 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 information, and other information.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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.

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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.

**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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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 \$3,040,013 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.

**OKTIBBEHA 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	\$ 2,956,377	\$ 2,632,765	12.29 %
Restricted assets	1,190,077	1,110,612	7.16 %
Capital assets, net	1,459,471	1,472,977	(0.92) %
<b>Total assets</b>	<b><u>5,605,925</u></b>	<b><u>5,216,354</u></b>	<b>7.47 %</b>
Current liabilities	238,041	128,928	84.63 %
Long-term debt outstanding	2,327,871	2,708,255	(14.05) %
<b>Total liabilities</b>	<b><u>2,565,912</u></b>	<b><u>2,837,183</u></b>	<b>(9.56) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	(256,103)	(590,724)	(56.65) %
Restricted	3,025,507	2,950,443	2.54 %
Unrestricted	270,609	19,452	1291.16 %
<b>Total net assets</b>	<b><u>\$ 3,040,013</u></b>	<b><u>\$ 2,379,171</u></b>	<b>27.78 %</b>

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 \$13,506.
- The principal retirement of \$381,088 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 \$11,534,360 and \$11,794,383, respectively. The total cost of all programs and services was \$10,873,518 for 2011 and \$11,276,114 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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Table 2  
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 168,704	\$ 143,387	17.7 %
Operating grants and contributions	3,039,795	3,257,177	(6.7) %
Capital Grants and Contributions	124,528		
General revenues:			
Property taxes	3,407,511	3,191,915	6.8 %
Grants and contributions not restricted	4,438,317	4,490,252	(1.2) %
Investment earnings	93,456	40,914	128.4 %
Sixteenth section sources	228,909	582,893	(60.7) %
Other	33,140	87,845	(62.3) %
<b>Total revenues</b>	<b><u>11,534,360</u></b>	<b><u>11,794,383</u></b>	<b>(2.2) %</b>
<b>Expenses:</b>			
Instruction	5,693,259	5,891,786	(3.4) %
Support services	4,335,537	4,563,892	(5.0) %
Non-instructional	679,071	615,624	10.3 %
Sixteenth section	51,847	72,792	(28.8) %
Interest on long-term liabilities	113,804	132,020	(13.8) %
<b>Total expenses</b>	<b><u>10,873,518</u></b>	<b><u>11,276,114</u></b>	<b>(3.6) %</b>
<b>Increase (Decrease) in net assets</b>	<b><u>660,842</u></b>	<b><u>518,269</u></b>	<b>27.5 %</b>
<b>Net Assets, July 1</b>	<b><u>2,379,171</u></b>	<b><u>1,860,902</u></b>	<b>27.9 %</b>
<b>Net Assets, June 30</b>	<b><u>\$ 3,040,013</u></b>	<b><u>\$ 2,379,171</u></b>	<b>27.8 %</b>

**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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE TEAR ENDED JUNE 30, 2011**

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 5,693,259	\$ 5,891,786	(3.4) %
Support services	4,335,537	4,563,892	(5.0) %
Non-instructional	679,071	615,624	10.3 %
Sixteenth section	51,847	72,792	(28.8) %
Interest on long-term liabilities	113,804	132,020	(13.8) %
<b>Total expenses</b>	<b><u>\$ 10,873,518</u></b>	<b><u>\$ 11,276,114</u></b>	<b>(3.6) %</b>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (3,857,008)	\$ (4,026,329)	(4.2) %
Support services	(3,457,811)	(3,677,061)	(6.0) %
Non-instructional	(60,021)	26,428	(327.1) %
Sixteenth section	(51,847)	(66,568)	(22.1) %
Interest on long-term liabilities	(113,804)	(132,020)	(13.8) %
<b>Total net (expense) revenue</b>	<b><u>\$ (7,540,491)</u></b>	<b><u>\$ (7,875,550)</u></b>	<b>(4.3) %</b>

- Net cost of governmental activities (\$7,540,491 for 2011 and \$7,875,550 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$3,407,511 for 2011 and \$3,191,915 for 2010) and state and federal revenues (\$4,438,317 for 2011 and \$4,490,252 for 2010). In addition, there was \$228,909 and \$582,893 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$93,456 for 2011 and \$40,914 for 2010.

**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 \$3,942,648, an increase of \$286,568, which includes a decrease in inventory of \$2,346. \$845,791 or 21% of the fund balance is unassigned, which represents the residual classification

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,096,857 or 79% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$218,900. The fund balance of Other Governmental Funds showed an increase in the amount of \$97,840, including a decrease in inventory of \$2,346. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title 1 Fund	no increase or decrease
Title 1 B3 Reading Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ (73,725)
Sixteenth Section Principal Fund	\$ 43,553

**BUDGETARY HIGHLIGHTS**

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund(s) 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 \$4,589,404, including land, school buildings, improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$29,736 from 2010. Total accumulated depreciation as of June 30, 2011, was \$3,129,933, and total depreciation expense for the year was \$146,183, resulting in total net capital assets of \$1,459,471.

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

	June 30, 2011	June 30, 2010	Percentage Change
Land	\$ 11,450	\$ 11,450	0.00 %
Buildings	944,645	958,268	(1.42) %
Improvements other than buildings	52,008	54,372	(4.35) %
Mobile equipment	315,853	351,595	(10.17) %
Furniture and equipment	135,515	97,292	39.29 %
<b>Total</b>	<b>\$ 1,459,471</b>	<b>\$ 1,472,977</b>	<b>(0.92) %</b>

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$2,327,871 in outstanding long-term debt, of which \$285,595 is due within one year. The liability for compensated absences increased \$704 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,485,000	\$ 1,635,000	(9.17) %
Transportation equipment loans payable	61,000	193,711	(68.51) %
Obligations under energy efficiency leases	566,607	599,568	(5.50) %
Other loans payable	169,574	234,990	(27.84) %
Compensated absences payable	45,690	44,986	1.56 %
<b>Total</b>	<b><u>\$ 2,327,871</u></b>	<b><u>\$ 2,708,255</u></b>	<b>(14.05) %</b>

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

**CURRENT ISSUES**

The Oktibbeha County School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2010-2011 year increased by 6% to 974 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Oktibbeha County School District, 106 W. Main Street, Starkville, MS 39759.

## FINANCIAL STATEMENTS

**OKTIBBEHA COUNTY SCHOOL DISTRICT****Exhibit A**

## Statement of Net Assets

June 30, 2011

	Governmental Activities
	<u>                    </u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,225,933
Due from other governments	678,738
Other receivables, net	41,437
Inventories	10,269
Restricted assets	1,190,077
Capital assets, non-depreciable:	
Land	11,450
Capital assets, net of accumulated depreciation:	
Buildings	944,645
Improvements other than buildings	52,008
Mobile equipment	315,853
Furniture and equipment	135,515
Total Assets	<u>5,605,925</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	131,593
Unearned revenue	72,213
Interest payable on long-term liabilities	34,235
Long-term liabilities, due within one year	
Capital related liabilities	251,108
Non-capital related liabilities	34,487
Long-term liabilities, due beyond one year	
Capital related liabilities	1,464,466
Non-capital related liabilities	577,810
Total Liabilities	<u>2,565,912</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(256,103)
Restricted for:	
Expendable:	
School-based activities	1,270,659
Debt service	427,317
Capital improvements	4,449
Forestry improvements	95,125
Unemployment benefits	40,472
Non-expendable:	
Sixteenth section	1,187,485
Unrestricted	270,609
Total Net Assets	<u>\$ 3,040,013</u>

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Exhibit B**

Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets Governmental Activities
Instruction	\$ 5,693,259	\$ 102,013	\$ 1,609,710	\$ 124,528	\$ (3,857,008)
Support services	4,335,537	61,414	816,312		(3,457,811)
Non-instructional	679,071	5,277	613,773		(60,021)
Sixteenth section	51,847				(51,847)
Interest on long-term liabilities	113,804				(113,804)
<b>Total Governmental Activities</b>	<b>\$ 10,873,518</b>	<b>\$ 168,704</b>	<b>\$ 3,039,795</b>	<b>\$ 124,528</b>	<b>\$ (7,540,491)</b>

General Revenues:

Taxes:

General purpose levies

3,221,865

Debt purpose levies

185,646

Unrestricted grants and contributions:

State

3,964,445

Federal

473,872

Unrestricted investment earnings

93,456

Sixteenth section sources

228,909

Other

33,140

**Total General Revenues**

**8,201,333**

Change in Net Assets

660,842

Net Assets - Beginning

2,379,171

Net Assets - Ending

**\$ 3,040,013**

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

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**OKTIBBEHA COUNTY SCHOOL DISTRICT**

Balance Sheet

June 30, 2011

	General Fund	Title I Fund	Title I B3 Reading Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 384,335	\$ 39,262	\$ 163,292
Investments			
Due from other governments	156,445	142,835	
Other receivables, net			
Due from other funds	577,443	70	
Advances to other funds			
Inventories			
Total Assets	\$ <u>1,118,223</u>	\$ <u>182,167</u>	\$ <u>163,292</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 76,961	\$ 23,147	
Due to other funds	24,149	145,984	147,891
Advances from other funds	134,207		
Unearned revenue		13,036	15,401
Total Liabilities	<u>235,317</u>	<u>182,167</u>	<u>163,292</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Inventory			
Advances			
Permanent fund principal			
<b>Restricted:</b>			
Debt service			
Capital projects			
Forestry improvements			
Unemployment benefits			
Sixteenth section interest			
Grant activities			
<b>Assigned:</b>			
Activity funds	37,115		
<b>Unassigned</b>			
Total Fund Balances	<u>882,906</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	\$ <u>1,118,223</u>	\$ <u>182,167</u>	\$ <u>163,292</u>

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

Exhibit C

Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 944,511	\$ 1,053,278	\$ 694,534	\$ 3,279,212
		136,798	136,798
14,492		379,458	678,738
		41,081	14,492
	134,207		618,594
		10,269	134,207
\$ <u>959,003</u>	\$ <u>1,187,485</u>	\$ <u>1,262,140</u>	\$ <u>4,872,310</u>
\$ 10,000		\$ 21,485	131,593
1,470		272,155	591,649
6,711		37,065	134,207
<u>18,181</u>	<u>0</u>	<u>330,705</u>	<u>72,213</u>
		10,269	929,662
	134,207		10,269
	1,053,278		134,207
			1,053,278
		461,552	461,552
		4,449	4,449
		95,125	95,125
		40,472	40,472
940,822		319,568	940,822
			319,568
			37,115
<u>940,822</u>	<u>1,187,485</u>	<u>931,435</u>	<u>845,791</u>
\$ <u>959,003</u>	\$ <u>1,187,485</u>	\$ <u>1,262,140</u>	\$ <u>4,872,310</u>

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Exhibit C-1**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2011

Total Fund Balances for Governmental Funds	\$	3,942,648
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,129,933.		1,459,471
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(2,327,871)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.		<u>(34,235)</u>
Net Assets of Governmental Activities	\$	<u><u>3,040,013</u></u>

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

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**OKTIBBEHA COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2011

	General Fund	Title I Fund	Title I B3 Reading Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Local sources	\$ 3,434,699		
State sources	3,681,814		
Federal sources	89,860	962,542	143,303
Sixteenth section sources			
Total Revenues	<u>7,206,373</u>	<u>962,542</u>	<u>143,303</u>
<b>Expenditures:</b>			
Instruction	3,534,344	527,233	143,011
Support services	3,528,074	336,341	292
Noninstructional services	40,335	40,390	
Sixteenth section			
Debt service:			
Principal	32,961		
Interest	33,099		
Total Expenditures	<u>7,168,813</u>	<u>903,964</u>	<u>143,303</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>37,560</u>	<u>58,578</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>			
Insurance recovery	1,812		
Operating transfers in	343,700		
Other financing sources	3,182		
Operating transfers out	(167,354)	(58,578)	
Total Other Financing Sources (Uses)	<u>181,340</u>	<u>(58,578)</u>	<u>0</u>
Net Change in Fund Balances	<u>218,900</u>	<u>0</u>	<u>0</u>
Fund Balances:			
July 1, 2010	664,006	0	0
Increase (Decrease) in inventory			
June 30, 2011	<u>\$ 882,906</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Exhibit D**

Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
		\$ 258,211	\$ 3,692,910
		114,976	3,796,790
		2,610,144	3,805,849
181,387	43,553	16,617	241,557
<u>181,387</u>	<u>43,553</u>	<u>2,999,948</u>	<u>11,537,106</u>
		1,567,871	5,772,459
		386,039	4,250,746
		589,193	669,918
30,112		21,735	51,847
		348,127	381,088
		94,029	127,128
<u>30,112</u>	<u>0</u>	<u>3,006,994</u>	<u>11,253,186</u>
151,275	43,553	(7,046)	283,920
			1,812
		167,354	511,054
			3,182
(225,000)		(60,122)	(511,054)
<u>(225,000)</u>	<u>0</u>	<u>107,232</u>	<u>4,994</u>
(73,725)	43,553	100,186	288,914
1,014,547	1,143,932	833,595	3,656,080
		(2,346)	(2,346)
<u>\$ 940,822</u>	<u>\$ 1,187,485</u>	<u>\$ 931,435</u>	<u>\$ 3,942,648</u>

**OKTIBBEHA COUNTY SCHOOL DISTRICT****Exhibit D-1**

Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2011

**Net Change in Fund Balances - Governmental Funds** \$ 288,914

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

Governmental funds report capital outlays as expenditures while governmental  
 activities report depreciation to allocate those expenditures over the life of the  
 assets. Capital assets purchased amounted to \$137,738 and the depreciation expense  
 amounted to \$146,183. (8,445)

Payment of principal on long-term liabilities is reported as an expenditure in the  
 governmental funds, but the payment has not effect on net assets. 381,088

Expenses in the Statement of Activities not normally paid with expendable  
 available financial resources are not reported as expenditures in the governmental  
 funds:  
 Compensated Absences (704)

Governmental funds recognize interest on long-term debt when it becomes due,  
 however, the Statement of Activities recognizes interest as it accrues regardless of  
 when it becomes due. 7,396

Increases or decreases in inventory directly affects fund balance in the  
 governmental funds, but is adjusted through expenses in the Statement of Activities. (2,346)

Gains and losses on sale or disposal of assets are not reported in the governmental  
 funds, but are reported in the Statement of Activities, net of proceeds. (5,061)

**Change in Net Assets of Governmental Activities** \$ 660,842

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Exhibit E**

Statement of Fiduciary Assets and Liabilities

June 30, 2011

		Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$	544,715
Due from other funds		41,092
Total Assets	\$	<u>585,807</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	511,865
Due to other funds		68,037
Due to student clubs		5,905
Total Liabilities	\$	<u>585,807</u>

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

**Notes to the Financial Statements**

For the year ended  
June 30, 2011

**OKTIBBEHA 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, Oktibbeha 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 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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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.

Title 1 Fund- This is a special revenue fund that accounts for federal revenue received through Title 1 grants to local educational agencies and related expenditures incurred for Title 1 grants.

Title 1 B3 Reading Fund- This is a special revenue fund that accounts for federal revenue received through the Reading First grants to local educational agencies and related expenditures.

Sixteenth Section Interest Fund- This is a special revenue fund that accounts for the expendable resources derived from the use of sixteenth section lands held in trust by the

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

school district and from the investment of sixteenth section funds.

Sixteenth Section Principal Fund- This is a special revenue fund that accounts for the nonexpendable resources derived from the use of sixteenth section lands held in trust by the school district and from the investment of sixteenth section funds.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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 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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the 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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences**

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

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

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

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

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

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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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 pursuant to authorization established by District's fund balance policy.

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

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

**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:

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,279,212 and \$544,715, 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 \$4,234,886 was exposed to custodial credit risk.

#### Investments

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	AAAm	Less than one year	\$ 136,798

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

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

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

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

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title 1 Fund	\$ 145,984
	Title 1 B3 Reading Fund	147,891
	Other governmental funds	244,338
	Agency Funds	39,230
Title 1 Fund	Agency Funds	70
	General Fund	12,344
Other governmental funds	Agency Funds	28,737
	General Fund	11,805
Agency Funds	16th Section Interest Fund	1,470
	Other governmental funds	27,817
Total		<u>\$ 659,686</u>

The interfund loans primarily reflect short-term obligations owed by one fund to another fund until revenues are received and to reflect amounts owed to clearing funds from governmental funds.

**B. Advances To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
16th Section Principal Fund	General Fund	\$ 134,207
Total		<u>\$ 134,207</u>

Sixteenth section principal loans payable

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

Year Ending June 30	Principal	Interest	Total
2012 \$	26,713 \$	4,882 \$	31,595
2013	27,801	3,793	31,594
2014	28,934	2,661	31,595
2015	30,113	1,482	31,595
2016	20,646	415	21,061
Total \$	<u>134,207 \$</u>	<u>13,233 \$</u>	<u>147,440</u>

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 167,354
16th Section Interest Fund	General Fund	225,000
Title 1 Fund	General Fund	58,578
Other Governmental Funds	General Fund	60,122
Total		<u>\$ 511,054</u>

The transfers were primarily to move revenue to finance other programs that are accounted for in other funds in accordance with budgetary authorizations.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$1,053,278 the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs and the investment balance totaling \$136,798 of the MAEP Debt Service Fund which is restricted for repayment of the limited obligation bonds payable.

**OKTIBBEHA 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	Increases	Decreases	Balance 6/30/2011
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 11,450	\$	\$	\$ 11,450
Total non-depreciable capital assets	11,450	-	-	11,450
<u>Depreciable capital assets:</u>				
Buildings	2,543,595			2,543,595
Improvements other than buildings	59,100			59,100
Mobile equipment	1,631,519		(9,685)	1,621,834
Furniture and equipment	314,004	137,738	(98,317)	353,425
Total depreciable capital assets	4,548,218	137,738	(108,002)	4,577,954
<u>Less accumulated depreciation for:</u>				
Buildings	1,585,327	13,623		1,598,950
Improvements other than buildings	4,728	2,364		7,092
Mobile equipment	1,279,924	34,774	(8,717)	1,305,981
Furniture and equipment	216,712	95,422	(94,224)	217,910
Total accumulated depreciation	3,086,691	146,183	(102,941)	3,129,933
Total depreciable capital assets, net	1,461,527	(8,445)	(5,061)	1,448,021
Governmental activities capital assets, net	\$ 1,472,977	\$ (8,445)	\$ (5,061)	\$ 1,459,471

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 58,776
Support services	84,175
Non-instructional	3,232
Total depreciation expense	\$ 146,183

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,635,000	\$	\$ (150,000)	\$ 1,485,000	\$ 160,000
B. Transportation equipment loans payable	193,711		(132,711)	61,000	61,000
C. Obligations under energy efficiency leases	599,568		(32,961)	566,607	34,487
D. Other loans payable	234,990		(65,416)	169,574	30,108
E. Compensated absences payable	44,986	704		45,690	-
<b>Total</b>	<b>\$ 2,708,255</b>	<b>\$ 704</b>	<b>\$(381,088)</b>	<b>\$ 2,327,871</b>	<b>\$ 285,595</b>

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds- Series 1996	4.375%- 5.77%	6/1/1998	2/1/2018	\$ 2,475,000	\$ 1,485,000
<b>Total</b>				<b>\$ 2,475,000</b>	<b>\$ 1,485,000</b>

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

Limited obligation bond issue of 6/1/1998:

Year Ending June 30	Principal	Interest	Total
2012	\$ 160,000	\$ 64,630	\$ 224,630
2013	170,000	57,040	227,040
2014	175,000	49,105	224,105
2015	185,000	40,825	225,825
2016	190,000	32,200	222,200
2017 – 2021	605,000	36,685	641,685
<b>Total</b>	<b>\$ 1,485,000</b>	<b>\$ 280,485</b>	<b>\$ 1,765,485</b>

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

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

**B. Transportation equipment loans payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Cadence Bank Buses	4.22%	9/13/2007	9/10/2011	\$ 277,000	\$ 61,000
Total				<u>\$ 277,000</u>	<u>\$ 61,000</u>

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

1. Transportation equipment loans payable issue of 9/13/07:

Year Ending June 30	Principal	Interest	Total
2012	\$ 61,000	\$ 2,610	\$ 63,610
Total	<u>\$ 61,000</u>	<u>\$ 2,610</u>	<u>\$ 63,610</u>

This debt will be retired from the Transportation Debt Service Fund.

**C. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
All American Investment Group- Energy Efficiency Improvements	4.55%	6/12/2008	11/5/2023	\$ 630,470	\$ 566,607
Total				<u>\$ 630,470</u>	<u>\$ 566,607</u>

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

1. Obligations under energy efficiency leases issue of 6/12/08:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Year Ending June 30	Principal	Interest	Total
2012	\$ 34,487	\$ 25,198	\$ 59,685
2013	36,083	23,602	59,685
2014	37,753	21,931	59,684
2015	39,500	20,184	59,684
2016	41,329	18,356	59,685
2017 – 2021	237,168	61,256	298,424
2022 – 2026	140,287	8,924	149,211
<b>Total</b>	<b>\$ 566,607</b>	<b>\$ 179,451</b>	<b>\$ 746,058</b>

This debt will be retired from the District Maintenance Fund.

**D. Other loans payable**

The school district took out a loan at Bank First Financial Services on June 27, 2001 for \$400,000 to help finance the school renovations. The loan is to be paid back over a period of sixteen years with fifteen annual payments of \$38,891 and a sixteenth final payment of \$2,746 with an interest rate of 5.06%.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Bank First Financial Services	5.06%	6/27/2001	6/28/2017	\$ 400,000	\$ 169,574
<b>Total</b>				<b>\$ 400,000</b>	<b>\$ 169,574</b>

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

Other loan issue of 6/27/01:

Year Ending June 30	Principal	Interest	Total
2012	\$ 30,108	\$ 8,782	\$ 38,890
2013	31,668	7,223	38,891
2014	33,308	5,583	38,891
2015	35,032	3,858	38,890
2016	36,847	2,044	38,891
2017 – 2021	2,611	135	2,746
<b>Total</b>	<b>\$ 169,574</b>	<b>\$ 27,625</b>	<b>\$ 197,199</b>

This debt will be retired from the EEF Buildings and Buses Fund and the Transportation Debt Service Fund.

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**E.     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, 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 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 \$623,740, \$654,432 and \$624,232, respectively, which equaled the required contributions for each year.

**Note 8 – Sixteenth Section Lands**

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Year Ending June 30	Amount
2012	\$ 140,861
2013	138,356
2014	128,560
2015	119,877
2016	100,266
2017 – 2021	479,570
2022 – 2026	472,068
2027 – 2031	439,323
2032 – 2036	370,439
thereafter	259,536
<b>Total</b>	<b>\$ 2,648,856</b>

**Note 9 – Contingencies**

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

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

**Note 10 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members’ employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 11 - 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 Oktibbeha County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- In September 2012, the Oktibbeha County School District was seized by the Mississippi Department of Education and placed under conservatorship due to poor student performance and other accreditation issues. The district is listed on academic watch based upon the 2010-2011 student performance. The school district will remain in conservatorship until July, 1, 2015, when it will merge with the Starkville School District, in accordance with the provisions of House Bill 716 passed in the 2013 Legislative Session.

**Note 12 – Insurance Loss Recoveries**

The Oktibbeha County School District received \$1,812 in insurance loss recoveries related to auto damage during the 2010–2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charge for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 1,812	100%	Instruction

REQUIRED SUPPLEMENTARY INFORMATION

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2011**

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,531,957	\$ 3,516,107	\$ 3,434,699	\$ (15,850)	\$ (81,408)
State sources	3,933,524	3,895,549	3,681,814	(37,975)	(213,735)
Federal sources	123,000	418,175	89,860	295,175	(328,315)
<b>Total Revenues</b>	<b>7,588,481</b>	<b>7,829,831</b>	<b>7,206,373</b>	<b>241,350</b>	<b>(623,458)</b>
<b>Expenditures:</b>					
Instruction	3,661,464	4,172,970	3,534,344	(511,506)	638,626
Support services	3,498,159	4,144,976	3,528,074	(646,817)	616,902
Noninstructional services	37,642	36,687	40,335	955	(3,648)
Debt service:					
Principal	24,091	24,091	32,961	0	(8,870)
Interest	7,504	7,504	33,099	0	(25,595)
<b>Total Expenditures</b>	<b>7,228,860</b>	<b>8,386,228</b>	<b>7,168,813</b>	<b>(1,157,368)</b>	<b>1,217,415</b>
Excess (Deficiency) of Revenues over (under) Expenditures	359,621	(556,397)	37,560	(916,018)	593,957
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	0	0	1,812	0	1,812
Proceeds of loans	0	450,200	0	450,200	(450,200)
Operating transfers in	1,167,250	1,081,597	343,700	(85,653)	(737,897)
Other financing sources	0	0	3,182	0	3,182
Operating transfers out	(1,224,270)	(874,597)	(167,354)	349,673	707,243
<b>Total Other Financing Sources (Uses)</b>	<b>(57,020)</b>	<b>657,200</b>	<b>181,340</b>	<b>714,220</b>	<b>(475,860)</b>
<b>Net Change in Fund Balances</b>	<b>302,601</b>	<b>100,803</b>	<b>218,900</b>	<b>(201,798)</b>	<b>118,097</b>
<b>Fund Balances:</b>					
July 1, 2010,	523,828	523,828	664,006	0	140,178
June 30, 2011	\$ 826,429	\$ 624,631	\$ 882,906	\$ (201,798)	\$ 258,275

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Title 1 Fund**  
**For the Year Ended June 30, 2011**

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 795,152	\$ 844,979	\$ 962,542	\$ 49,827	\$ 117,563
Total Revenues	795,152	844,979	962,542	49,827	117,563
<b>Expenditures:</b>					
Instruction	333,781	422,794	527,233	(89,013)	(104,439)
Support services	427,632	326,889	336,341	100,743	(9,452)
Noninstructional services	33,739	45,375	40,390	(11,636)	4,985
Total Expenditures	795,152	795,058	903,964	94	(108,906)
Excess (Deficiency) of Revenues over (under) Expenditures	0	49,921	58,578	49,921	8,657
<b>Other Financing Sources (Uses):</b>					
Operating transfers out		(32,862)	(58,578)	(32,862)	(25,716)
Total Other Financing Sources (Uses)	0	(32,862)	(58,578)	(32,862)	(25,716)
Net Change in Fund Balances	0	17,059	0	17,059	(17,059)
Fund Balances:					
July 1, 2010,	0	0	0	0	0
June 30, 2011	\$ 0	\$ 17,059	\$ 0	\$ 17,059	\$ (17,059)

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Title 1 B3 Reading Fund**  
**For the Year Ended June 30, 2011**

**Exhibit 3**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 250,567	\$ 250,567	\$ 143,303	\$ 0	\$ (107,264)
Total Revenues	250,567	250,567	143,303	0	(107,264)
<b>Expenditures:</b>					
Instruction	232,020	232,020	143,011	0	89,009
Support services	4,500	4,500	292	0	4,208
Total Expenditures	236,520	236,520	143,303	0	93,217
Excess (Deficiency) of Revenues over (under) Expenditures	14,047	14,047	0	0	(14,047)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(14,047)	(14,047)		0	14,047
Total Other Financing Sources (Uses)	(14,047)	(14,047)	0	0	14,047
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010,	0	0	0	0	0
June 30, 2011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Sixteenth Section Interest Fund**  
**For the Year Ended June 30, 2011**

**Exhibit 4**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Sixteenth section sources	\$ 313,533	\$ 270,140	\$ 181,387	\$ (43,393)	\$ (88,753)
Total Revenues	<u>313,533</u>	<u>270,140</u>	<u>181,387</u>	<u>(43,393)</u>	<u>(88,753)</u>
Expenditures:					
Sixteenth section	<u>68,319</u>	<u>63,906</u>	<u>30,112</u>	<u>4,413</u>	<u>33,794</u>
Total Expenditures	<u>68,319</u>	<u>63,906</u>	<u>30,112</u>	<u>4,413</u>	<u>33,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>245,214</u>	<u>206,234</u>	<u>151,275</u>	<u>(38,980)</u>	<u>(54,959)</u>
Other Financing Sources (Uses):					
Transfers out	<u>0</u>	<u>0</u>	<u>(225,000)</u>	<u>0</u>	<u>(225,000)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(225,000)</u>	<u>0</u>	<u>(225,000)</u>
Net Change in Fund Balances	<u>245,214</u>	<u>206,234</u>	<u>(73,725)</u>	<u>(38,980)</u>	<u>(279,959)</u>
Fund Balances:					
July 1, 2010	<u>1,014,547</u>	<u>1,014,547</u>	<u>1,014,547</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 1,259,761</u>	<u>\$ 1,220,781</u>	<u>\$ 940,822</u>	<u>\$ (38,980)</u>	<u>\$ (279,959)</u>

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(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

**Oktibbeha County School District**

**Schedule 1**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE/</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 232,887
National School Lunch Program	10.555	440,430
Total Child Nutrition Cluster		<u>673,317</u>
Fresh Fruit and Vegetable Program	10.582	27,419
Total passed-through the Mississippi Department of Education		<u>700,736</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>700,736</u>
<b><u>FEDERAL COMMUNICATIONS COMMISSION</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	47,258
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u>47,258</u>
<b><u>U. S. DEPARTMENT OF DEFENSE</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	6,538
TOTAL U.S. DEPARTMENT OF DEFENSE		<u>6,538</u>
<b><u>U. S. DEPARTMENT OF INTERIOR</u></b>		
Direct Program:		
Payments in Lieu of Taxes	15.226	42,602
TOTAL U.S. DEPARTMENT OF INTERIOR		<u>42,602</u>
<b><u>U. S. DEPARTMENT OF EDUCATION/</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,017,292
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	299,992
Total Title I Cluster		<u>1,317,284</u>
Educational Technology State Cluster:		
Education Technology State Grants	84.318	178,490
ARRA - Education Technology State Grants - Recovery Act	84.386	199,968
Total Education Technology State Cluster		<u>378,458</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	1,689
Twenty-First Century Community Learning Centers	84.287	64,986
Gaining Early Awareness and Readiness in Undergraduate Programs	84.357	143,303
Rural Education	84.358	20,609
Improving Teacher Quality State Grants	84.367	127,301
ARRA - State Fiscal Stabilization Funds (SFSF) - Recovery Act	84.394	219,845
Education Jobs Fund	84.410	164,167
Sub-total		<u>741,900</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	249,379
Special Education - Preschool Grants	84.173	8,952
ARRA - Special Education - Grants to States - Recovery Act	84.391	77,247
ARRA - Special Education - Preschool Grants to States - Recovery A	84.392	10,402
Total Special Education Cluster		<u>345,980</u>
Total passed-through the Mississippi Department of Education		<u>2,783,622</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>2,783,622</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ <u>3,580,756</u></b>

**NOTES TO SCHEDULE**

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

**Oktibbeha 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	\$ 7,243,255	5,139,509	545,844	365,995	1,191,907
Other	4,009,931	1,458,147	483,465	41,416	2,026,903
Total	\$ <u>11,253,186</u>	<u>6,597,656</u>	<u>1,029,309</u>	<u>407,411</u>	<u>3,218,810</u>
Total number of students *	<u>974</u>				
Cost per student	\$ <u>11,554</u>	<u>6,774</u>	<u>1,057</u>	<u>418</u>	<u>3,305</u>

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

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

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

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

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

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

## OTHER INFORMATION

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 3,434,699	\$ 3,177,760	\$ 3,237,764	\$ 3,090,197
State sources	3,681,814	3,783,382	4,231,131	4,375,020
Federal sources	89,860	277,059	80,125	207,541
<b>Total Revenues</b>	<b>7,206,373</b>	<b>7,238,201</b>	<b>7,549,020</b>	<b>7,672,758</b>
<b>Expenditures:</b>				
Instruction	3,534,344	3,817,322	4,214,035	4,309,323
Support services	3,528,074	3,700,770	3,452,254	3,801,008
Noninstructional services	40,335	36,870	23,494	3,542
Debt service:				
Principal	32,961	30,754	148	0
Interest	33,099	33,961	37,330	8,825
<b>Total Expenditures</b>	<b>7,168,813</b>	<b>7,619,677</b>	<b>7,727,261</b>	<b>8,122,698</b>
Excess (Deficiency) of Revenues over (under) Expenditures	37,560	(381,476)	(178,241)	(449,940)
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	0	0	0	277,000
Insurance recovery	1,812	30,536	5,279	1,662
Sale of other property	0	0	0	3,890
Other financing sources	3,182	0	0	0
Operating transfers in	343,700	595,328	502,064	430,160
Operating transfers out	(167,354)	(121,499)	(133,032)	(94,446)
<b>Total Other Financing Sources (Uses)</b>	<b>181,340</b>	<b>504,365</b>	<b>374,311</b>	<b>618,266</b>
<b>Net Change in Fund Balances</b>	<b>218,900</b>	<b>122,889</b>	<b>196,070</b>	<b>168,326</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	664,006	541,117	400,873	229,470
Prior period adjustments	0	0	(55,826)	3,077
<b>Beginning of period, as restated</b>	<b>664,006</b>	<b>541,117</b>	<b>345,047</b>	<b>232,547</b>
<b>End of Period</b>	<b>\$ 882,906</b>	<b>\$ 664,006</b>	<b>\$ 541,117</b>	<b>\$ 400,873</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 3,692,910	\$ 3,427,301	\$ 3,501,478	\$ 3,344,799
State sources	3,796,790	4,112,169	4,565,182	4,722,842
Federal sources	3,805,849	3,635,260	2,131,943	2,552,307
Sixteenth section sources	241,557	596,049	743,645	354,649
<b>Total Revenues</b>	<b>11,537,106</b>	<b>11,770,779</b>	<b>10,942,248</b>	<b>10,974,597</b>
<b>Expenditures:</b>				
Instruction	5,772,459	5,861,786	5,336,807	5,680,227
Support services	4,250,746	4,506,768	4,563,964	4,410,556
Noninstructional services	669,918	612,800	601,017	673,260
Sixteenth section	51,847	72,792	39,951	49,907
Facilities acquisition and construction	0	0	0	103,236
Debt service:				
Principal	381,088	377,036	336,774	241,939
Interest	127,128	144,695	162,296	134,086
Other	0	1,075	1,905	574
<b>Total Expenditures</b>	<b>11,253,186</b>	<b>11,576,952</b>	<b>11,042,714</b>	<b>11,293,785</b>
Excess (Deficiency) of Revenues over (under) Expenditures	283,920	193,827	(100,466)	(319,188)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	1,812	30,536	5,279	1,662
Proceeds of loans	0	0	0	907,470
Sale of other property	0	0	0	3,890
Operating transfers in	511,054	716,827	635,096	524,606
Other financing sources	3,182	0	0	0
Operating transfers out	(511,054)	(716,827)	(635,096)	(524,606)
<b>Total Other Financing Sources (Uses)</b>	<b>4,994</b>	<b>30,536</b>	<b>5,279</b>	<b>913,022</b>
<b>Net Change in Fund Balances</b>	<b>288,914</b>	<b>224,363</b>	<b>(95,187)</b>	<b>593,834</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	3,656,080	3,430,809	3,580,345	2,986,187
Prior period adjustments	0	0	(55,826)	4,915
Beginning of period, as restated	3,656,080	3,430,809	3,524,519	2,991,102
Increase (Decrease) in inventory	(2,346)	908	1,477	(4,591)
<b>End of Period</b>	<b>\$ 3,942,648</b>	<b>\$ 3,656,080</b>	<b>\$ 3,430,809</b>	<b>\$ 3,580,345</b>

\*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  
Oktribbeha County School District

We have audited the financial statements of the Oktribbeha County School District as of and for the year ended June 30, 2011, and have issued our report thereon dated July 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Oktribbeha 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.

*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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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*.

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  
July 1, 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  
Oktibbeha County School District

**Compliance**

We have audited the Oktibbeha 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 Oktibbeha County School District's major federal programs for the year ended June 30, 2011. The Oktibbeha County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 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 of the school district's compliance with those requirements.

In our opinion, the Oktibbeha County School District complied, in all material respects, with the 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 is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items Finding 2011-1.

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BRANDON, MISSISSIPPI 39047  
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## Internal Control Over Compliance

Management of the Oktibbeha County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Oktibbeha 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 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 a certain deficiency 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 2011-1. 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 a less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Oktibbeha 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 the school district's response and, accordingly we express no opinion on the response.

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  
July 1, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Oktibbeha County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oktibbeha County School District as of and for the year ended June 30, 2011, which collectively comprise the Oktibbeha County School District's basic financial statements and have issued our report thereon dated July 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$10,987 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  
July 1, 2013

Certified Public Accountants

## Oktibbeha 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 on the financial statements: Unqualified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

##### Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
6. Any audit findings disclosed that are to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

##### CFDA Numbers

##### Name of Federal Program or Cluster

10.553 & 10.555

Child Nutrition Cluster

84.010 & 84.389

Title I Cluster

84.318 & 84.386

Education Technology Cluster

84.027, 84.173, 84.391 & 84.392

Special Education Cluster

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

## Section II: Financial Statements Findings

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

## Section III: Federal Award Findings and Questioned Costs

The results of our tests disclose the following finding and questioned cost related to the federal awards.

### **Significant Deficiency**

#### Finding 2011-1:

Child Nutrition Cluster: CFDA # 10.553 & 10.555

Compliance requirement: Cash Management

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement. The Policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10<sup>th</sup> of the month following the reporting month. During the course of our audit, the auditor found that five of the ten monthly cash requests were not submitted timely. While this did not cause funds to be received late by the district, inadequate controls could result in the district forfeiting its reimbursement or not receiving the funds in a timely manner.

#### Recommendation:

The school district should implement policies and procedures to ensure cash management requests are submitted within 10 days of the following month so funds are received in a timely manner.

## AUDITEE'S CORRECTIVE ACTION PLAN

**Oktibbeha County School District**  
106 W. Main  
Starkville, MS 39759  
**Dr. Margie Pulley - Conservator**  
**Verlie Floyd - Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding

Corrective Action Plan Details

2011 - 1

a. Name of Contact Person Responsible for Corrective Action

Name: Verlie Floyd  
Title: Business Manager  
Phone number: 662-323-1472

b. Corrective Action Planned:

The business manager will implement policies and procedures to ensure cash management requests are submitted within 10 days of the following month so funds are received in a timely manner.

c. Anticipated Completion Date:

June 30, 2012