



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

WILKINSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2012

WILKINSON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements	
Exhibit A – Statement of Net Assets	14
Exhibit B – Statement of Activities	15
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	16
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	18
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	20
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTAL INFORMATION	39
Budgetary Comparison Schedule – General Fund	40
Budgetary Comparison Schedule – Major Special Revenue Funds	41-42
Notes to the Required Supplemental Information	43
SUPPLEMENTAL INFORMATION	44
Schedule of Expenditures of Federal Awards	45
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	46
OTHER INFORMATION	47
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	48
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	49
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	58
AUDITEE'S CORRECTIVE ACTION PLAN	62

INDEPENDENT AUDITOR'S REPORT



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

1675 Lakeland Drive, Suite 505
Jackson, MS 39216

Phone (601) 982-0010 Fax (601) 982-0013

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, CPA

INDEPENDENT AUDITOR'S REPORT
On
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Wilkinson 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 Wilkinson County School District as of and for the year ended June 30, 2012, which collectively comprise the Wilkinson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wilkinson County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilkinson County School District, as of June 30, 2012, 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 October 22, 2013, on our consideration of the Wilkinson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilkinson County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilkinson County School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
October 22, 2013

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

WILKINSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

The following discussion and analysis of Wilkinson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. 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 2012 increased \$3,422,874, including a prior period adjustment of \$(146,941), which represents a 31% increase from fiscal year 2011. Total net assets for 2011 increased \$963,361, including a prior period adjustment of \$28,765, which represents a 10% increase from fiscal year 2010.
- General revenues amounted to \$12,910,027 and \$9,461,400, or 77% and 67% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,954,588, or 23% of total revenues for 2012, and \$4,733,075, or 33% of total revenues for 2011.
- The District had \$13,294,800 and \$13,259,879 in expenses for fiscal years 2012 and 2011; only \$3,954,588 for 2012 and \$4,733,075 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,910,027 for 2012 and \$9,461,400 for 2011 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,140,729 in revenues and \$8,363,143 in expenditures for 2012, and \$7,875,066 in revenues and \$7,596,160 in expenditures in 2011. The General Fund's fund balance increased by \$29,640, including a prior period adjustment of \$(19,227), from 2011 to 2012, and increased by \$204,525 from 2010 to 2011.
- Capital assets, net of accumulated depreciation, increased by \$729,625 for 2012 and increased by \$393,720 for 2011. The increase for 2012 was due primarily to expenditures incurred related to the ongoing construction of a new gym and the purchase of two school buses and various items of furniture and equipment.
- Long-term debt decreased by \$88,534 for 2012 and increased by \$1,736,797 for 2011. The decrease for 2012 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$13,032 for 2012 and decreased by \$8,203 for 2011.

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.

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 non-fiduciary 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

WILKINSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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 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:

WILKINSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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.

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 \$14,459,276 as of June 30, 2012.

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.

WILKINSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	Percentage Change
Current assets	\$ 9,358,112	\$ 5,415,493	72.80 %
Restricted assets	2,785,181	4,041,146	(31.08) %
Capital assets, net	7,694,570	6,964,945	10.48 %
Total assets	<u>19,837,863</u>	<u>16,421,584</u>	20.80 %
Current liabilities	200,887	118,948	68.89 %
Long-term debt outstanding	5,177,700	5,266,234	(1.68) %
Total liabilities	<u>5,378,587</u>	<u>5,385,182</u>	(0.12) %
Net assets:			
Invested in capital assets, net of related debt	3,919,048	3,464,129	13.13 %
Restricted	10,203,238	7,046,050	44.81 %
Unrestricted	336,990	526,223	(35.96) %
Total net assets	<u>\$ 14,459,276</u>	<u>\$ 11,036,402</u>	31.01 %

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

- Increase in net capital assets in the amount of \$729,625.
- The principal retirement of \$333,668 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$16,864,615 and \$14,194,475, respectively. The total cost of all programs and services was \$13,294,800 for 2012 and \$13,259,879 for 2011.

WILKINSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 398,520	\$ 363,980	9.49 %
Operating grants and contributions	3,556,068	4,369,095	(18.61) %
Capital Grants and Contributions	-	-	N/A %
General revenues:			
Property taxes	1,743,078	1,943,480	(10.31) %
Grants and contributions not restricted	6,594,458	6,555,389	0.60 %
Investment earnings	98,287	115,514	(14.91) %
Sixteenth section sources	4,444,433	799,514	455.89 %
Other	29,771	47,503	(37.33) %
Total revenues	<u>16,864,615</u>	<u>14,194,475</u>	18.81 %
Expenses:			
Instruction	6,579,911	7,236,455	(9.07) %
Support services	5,514,885	4,895,618	12.65 %
Non-instructional	1,087,270	1,018,107	6.79 %
Sixteenth section	26,775	46,662	(42.62) %
Interest and other expenses on long-term liabilities	85,959	63,037	36.36 %
Total expenses	<u>13,294,800</u>	<u>13,259,879</u>	0.26 %
Increase (Decrease) in net assets	<u>3,569,815</u>	<u>934,596</u>	281.96 %
Net Assets, July 1, as originally reported	<u>11,036,402</u>	<u>10,073,041</u>	9.56 %
Prior Period Adjustment	<u>(146,941)</u>	<u>28,765</u>	(610.83) %
Net Assets, July 1, as restated	<u>10,889,461</u>	<u>10,101,806</u>	7.80 %
Net Assets, June 30	<u>\$ 14,459,276</u>	<u>\$ 11,036,402</u>	31.01 %

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.

WILKINSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ 6,579,911	\$ 7,236,455	(9.07) %
Support services	5,514,885	4,895,618	12.65 %
Non-instructional	1,087,270	1,018,107	6.79 %
Sixteenth section	26,775	46,662	(42.62) %
Interest on long-term liabilities	85,959	63,037	36.36 %
Total expenses	<u>\$ 13,294,800</u>	<u>\$ 13,259,879</u>	0.26 %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ (5,264,645)	\$ (5,078,918)	3.66 %
Support services	(3,985,618)	(3,393,612)	17.44 %
Non-instructional	(100,058)	(31,533)	217.31 %
Sixteenth section	96,068	40,296	138.41 %
Interest on long-term liabilities	(85,959)	(63,037)	36.36 %
Total net (expense) revenue	<u>\$ (9,340,212)</u>	<u>\$ (8,526,804)</u>	9.54 %

- Net cost of governmental activities (\$9,340,212 for 2012 and \$8,526,804 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$1,743,078 for 2012 and \$1,943,480 for 2011) and state and federal revenues (\$6,594,458 for 2012 and \$6,555,389 for 2011). In addition, there was \$4,444,433 and \$799,514 in Sixteenth Section sources for 2012 and 2011, respectively.
- Investment earnings amounted to \$98,287 for 2012 and \$115,514 for 2011.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$11,951,122, an increase of \$2,609,924, which includes a prior period adjustment of \$(19,462) and a decrease in reserve for inventory of \$13,175. \$613,263, or 5% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$11,337,859, or 95% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$29,640, which includes a prior period adjustment of \$(19,227). The fund balance of Other Governmental Funds showed an increase in the amount of \$1,341,673, which

WILKINSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

includes a prior period adjustment of \$1,106 and a decrease in reserve for inventory of \$13,175. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
EHA Part B Fund		no increase or decrease
Sixteenth Section Interest Fund	\$	2,772,704
QSCB Construction Fund	\$	(1,534,706)
Sixteenth Section Principal Fund	\$	613

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. Significant budget revisions during the fiscal year are explained as follows:

- Budgeted amounts for revenue from local sources in the General Fund were decreased during the fiscal year primarily to reflect a decrease in advalorem receipts. Amounts originally budgeted were overstated.
- Budgeted amounts for instruction and support services expenditures in the General Fund were decreased during the fiscal year. The District took a conservative approach to spending and some expenditures originally budgeted were not incurred.
- Budgeted amounts for revenue from federal sources and instruction expenditures in the EHA Part B Fund were decreased during the fiscal year to more accurately reflect actual revenue received and expenditures incurred. Amounts originally budgeted were overstated.
- Budgeted amounts for revenue from sixteenth section sources in the Sixteenth Section Interest Fund were significantly increased primarily to reflect an increase in revenues from mineral leases during the fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District's total capital assets were \$13,490,516, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$1,061,197 from 2011, due primarily to expenditures incurred related to the ongoing construction of a new gym and the purchase of two school buses and various items of furniture and equipment. Total accumulated depreciation as of June 30, 2012, was \$5,795,946, and total depreciation expense for the year was \$388,290, resulting in total net capital assets of \$7,694,570.

WILKINSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 113,365	\$ 113,365	0.00 %
Construction in Progress	1,034,958	138,279	648.46 %
Buildings	2,668,780	2,743,635	(2.73) %
Building improvements	2,838,469	3,003,000	(5.48) %
Improvements other than buildings	275,842	294,745	(6.41) %
Mobile equipment	569,297	493,212	15.43 %
Furniture and equipment	193,859	178,709	8.48 %
Total	<u>\$ 7,694,570</u>	<u>\$ 6,964,945</u>	10.48 %

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

Debt Administration. At June 30, 2012, the District had \$5,177,700 in outstanding long-term debt, of which \$362,770 is due within one year. During the fiscal year, the District received proceeds from a shortfall note in the amount of \$232,102. The District made principal payments totaling \$333,668 on outstanding long-term debt. The liability for compensated absences increased \$13,032 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,335,000	\$ 1,530,000	(12.75) %
Three mill notes payable	75,000	140,000	(46.43) %
Shortfall notes payable	158,434	-	N/A %
Qualified zone academy bonds payable	1,500,000	1,500,000	0.00 %
Qualified school construction bonds payable	2,000,000	2,000,000	0.00 %
Compensated absences payable	109,266	96,234	13.54 %
Total	<u>\$ 5,177,700</u>	<u>\$ 5,266,234</u>	(1.68) %

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

CURRENT ISSUES

The Wilkinson 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.

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 Wilkinson County School District, P. O. Box 785, Woodville, MS 39669.

FINANCIAL STATEMENTS

WILKINSON COUNTY SCHOOL DISTRICT

Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,262,669
Investments	2,584,914
Due from other governments	486,633
Inventories	7,235
Deferred debt issuance costs	16,661
Restricted assets	2,785,181
Capital assets, non-depreciable:	
Land	113,365
Construction in progress	1,034,958
Capital assets, net of accumulated depreciation:	
Buildings	2,668,780
Building improvements	2,838,469
Improvements other than buildings	275,842
Mobile equipment	569,297
Furniture and equipment	193,859
Total Assets	19,837,863
Liabilities	
Accounts payable and accrued liabilities	116,753
Unearned revenue	58,757
Interest payable on long-term liabilities	25,377
Long-term liabilities, due within one year:	
Capital related liabilities	280,000
Non-capital related liabilities	82,770
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,630,000
Non-capital related liabilities	1,184,930
Total Liabilities	5,378,587
Net Assets	
Invested in capital assets, net of related debt	3,919,048
Restricted for:	
Expendable:	
School-based activities	7,053,515
Debt service	1,285,012
Forestry improvements	212,400
Unemployment benefits	32,282
Non-expendable:	
Sixteenth section	1,620,029
Unrestricted	336,990
Total Net Assets	\$ 14,459,276

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

WILKINSON COUNTY SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2012**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 6,579,911	\$ 145,052	\$ 1,170,214	\$ -	\$ (5,264,645)	
Support services	5,514,885	7,575	1,521,692	-	(3,985,618)	
Non-instructional	1,087,270	123,050	864,162	-	(100,058)	
Sixteenth section	26,775	122,843	-	-	96,068	
Interest on long-term liabilities	85,959	-	-	-	(85,959)	
Total Governmental Activities	\$ 13,294,800	\$ 398,520	\$ 3,556,068	\$ -	\$ (9,340,212)	

General Revenues:

Taxes:

General purpose levies	1,563,913
Debt purpose levies	179,165

Unrestricted grants and contributions:

State	6,344,758
Federal	249,700
Unrestricted investment earnings	98,287
Sixteenth section sources	4,444,433
Other	29,771

Total General Revenues 12,910,027

Change in Net Assets 3,569,815

Net Assets - Beginning, as originally reported 11,036,402
Prior Period Adjustments (146,941)

Net Assets - Beginning, as restated 10,889,461

Net Assets - Ending \$ 14,459,276

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

WILKINSON COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2012

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	EHA Part B Fund	Sixteenth Section Interest Fund	QSCB Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds	
Assets								
Cash and cash equivalents	\$ 482,056	\$ 36,293	\$ 4,109,884	\$ 134,478	\$ 36,361	1,634,436	\$ 6,433,508	
Cash with fiscal agents	-	-	-	-	-	71,122	71,122	
Investments	-	-	2,584,914	-	1,500,000	1,043,220	5,128,134	
Due from other governments	298,416	-	5,870	-	2,418	179,929	486,633	
Due from other funds	42,326	-	-	-	-	-	42,326	
Advance to other funds	-	-	-	-	81,250	-	81,250	
Inventories	-	-	-	-	-	7,235	7,235	
Total assets	\$ 822,798	\$ 36,293	\$ 6,700,668	\$ 134,478	\$ 1,620,029	2,935,942	\$ 12,250,208	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 107,394	\$ -	\$ -	\$ -	\$ -	9,359	\$ 116,753	
Due to other funds	-	-	-	-	-	42,326	42,326	
Advances from other funds	81,250	-	-	-	-	-	81,250	
Unearned revenue	-	36,293	-	-	-	22,464	58,757	
Total Liabilities	188,644	36,293	-	-	-	74,149	299,086	
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	7,235	7,235	
Permanent fund principal	-	-	-	-	1,538,779	-	1,538,779	
Advances	-	-	-	-	81,250	-	81,250	
Restricted:								
Debt service	-	-	-	-	-	1,310,389	1,310,389	
Capital projects	-	-	-	134,478	-	-	134,478	
Forestry improvement purposes	-	-	-	-	-	212,400	212,400	
Unemployment benefits	-	-	-	-	-	32,282	32,282	
Other commitments	-	-	6,700,668	-	-	345,612	7,046,280	
Assigned:								
Capital improvements	-	-	-	-	-	953,875	953,875	
Activity funds	20,891	-	-	-	-	-	20,891	
Unassigned	613,263	-	-	-	-	-	613,263	
Total Fund Balances	634,154	-	6,700,668	134,478	1,620,029	2,861,793	11,951,122	
Total Liabilities and Fund Balances	\$ 822,798	\$ 36,293	\$ 6,700,668	\$ 134,478	\$ 1,620,029	2,935,942	\$ 12,250,208	

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

**WILKINSON COUNTY SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2012**

Exhibit C-1

Total fund balances for governmental funds \$ 11,951,122

Amounts reported for governmental activities in the statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	113,365	
Construction in progress		1,034,958	
Buildings		5,042,359	
Building improvements		4,206,780	
Improvements other than buildings		472,573	
Mobile equipment		1,675,440	
Furniture and equipment		945,041	
Accumulated depreciation		<u>(5,795,946)</u>	7,694,570

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Limited obligation bonds		(1,335,000)	
Other bonds payable		(3,500,000)	
Notes payable		(233,434)	
Compensated absences		(109,266)	
Unamortized charges		16,661	
Accrued interest payable		<u>(25,377)</u>	(5,186,416)

Net assets of governmental activities \$ 14,459,276

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

**WILKINSON COUNTY SCHOOL DISTRICT
Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012**

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	EHA Part B Fund	Sixteenth Section Interest Fund	QSCB Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Revenues:							
Local sources	\$ 1,735,714	\$ -	\$ -	\$ 4,273	\$ -	\$ 358,491	\$ 2,098,478
State sources	6,123,218	16,948	-	-	-	650,516	6,790,682
Federal sources	281,797	280,963	-	-	-	2,797,084	3,359,844
Sixteenth section sources	-	-	4,472,019	-	10,863	123,854	4,606,736
Total Revenues	8,140,729	297,911	4,472,019	4,273	10,863	3,929,945	16,855,740
Expenditures:							
Instruction	4,898,911	58,148	-	-	-	1,351,673	6,308,732
Support services	3,344,890	233,241	-	556,821	-	1,468,097	5,603,049
Noninstructional services	102,159	-	-	-	-	973,041	1,075,200
Sixteenth section	-	-	5,314	-	-	21,461	26,775
Facilities acquisition and construction	-	-	-	982,158	-	42,000	1,024,158
Debt service:							
Principal	-	-	-	-	-	333,668	333,668
Interest	16,683	-	-	-	-	62,549	79,232
Other	500	-	-	-	-	2,300	2,800
Total Expenditures	8,363,143	291,389	5,314	1,538,979	-	4,254,789	14,453,614
Excess (Deficiency) of Revenues over (under) Expenditures	(222,414)	6,522	4,466,705	(1,534,706)	10,863	(324,844)	2,402,126
Other Financing Sources (Uses):							
Bonds and notes issued	232,102	-	-	-	-	-	232,102
Insurance recovery	7,575	-	-	-	-	-	7,575
Payments held by escrow agent	-	-	-	-	-	206,693	206,693
Payment to QZAB/QSCB debt escrow agent	(70,000)	-	-	-	-	(136,693)	(206,693)
Sale of transportation equipment	772	-	-	-	-	-	772
Operating transfers in	698,673	-	10,250	-	-	1,725,849	2,434,772
Other financing sources	-	-	-	-	-	1,300	1,300
Operating transfers out	(597,830)	(5,578)	(1,703,854)	-	(10,250)	(117,260)	(2,434,772)
Other financing uses	(11)	-	-	-	-	(1,303)	(1,314)
Total Other Financing Sources (Uses)	271,281	(5,578)	(1,693,604)	-	(10,250)	1,678,586	240,435
Net Change in Fund Balances	48,867	944	2,773,101	(1,534,706)	613	1,353,742	2,642,561
Fund Balances:							
July 1, 2011, as originally reported	604,514	-	3,927,964	1,669,184	1,619,416	1,520,120	9,341,198
Prior period adjustments	(19,227)	(944)	(397)	-	-	1,106	(19,462)
July 1, 2011, as restated	585,287	(944)	3,927,567	1,669,184	1,619,416	1,521,226	9,321,736
Increase (Decrease) in reserve for inventory	-	-	-	-	-	(13,175)	(13,175)
June 30, 2012	\$ 634,154	\$ -	\$ 6,700,668	\$ 134,478	\$ 1,620,029	\$ 2,861,793	\$ 11,951,122

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

**WILKINSON COUNTY SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2012**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 2,642,561

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,248,585	
Depreciation expense	<u>(388,290)</u>	860,295

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (3,191)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(232,102)	
Payments of debt principal	333,668	
Accrued interest payable	<u>(3,927)</u>	97,639

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(13,032)	
Change in inventory reserve	(13,175)	
Amortization of deferred charges, premiums and discounts	<u>(1,282)</u>	(27,489)

Change in net assets of governmental activities \$ 3,569,815

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

**WILKINSON COUNTY SCHOOL DISTRICT
Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities
June 30, 2012**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 472,816
Total Assets	<u>\$ 472,816</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 457,377
Due to student clubs	15,439
Total Liabilities	<u>\$ 472,816</u>

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

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

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.

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, Wilkinson 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.

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.

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

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.

EHA Part B Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to assist the District in providing a free appropriate public education to all children with disabilities.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for the expendable revenues associated with earnings on sixteenth section lands.

QSCB Construction Fund - This is a capital projects fund that accounts for proceeds from the issuance of qualified school construction bonds and the expenditures associated with the construction and renovation of school facilities.

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

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only.

The District's fiduciary funds include the following:

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

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

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

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

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

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.

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

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

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

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district 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

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

reported as “due to/from other funds.”

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

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.

The following schedule details the capitalization thresholds:

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

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

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

7. Compensated Absences

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

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

Non-spendable 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,

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

such as a principal balance in a permanent fund.

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

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

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

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

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

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

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

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

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

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

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 \$10,518,422 (which includes \$4,084,914 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$472,816, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$6,262,669, investments of \$2,584,914 (which is certificates of deposit with original maturities beyond three months and reported as investments), and restricted assets of \$1,670,839 (which represents the cash and investment (CD) balance of the Sixteenth Section Principal Fund and the cash balance of the QSCB Construction Fund). The bank balance was \$11,215,245.

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, 2012, none of the district's bank balance of \$11,215,245 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$71,122.

Investments

As of June 30, 2012, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury Bill		less than 1 year	\$ 353,044
Federal Home Loan Bank		1 year	676,587
Federal US Treasury Cash Reserve	AAAm	less than 1 year	13,589
Certificates of deposit	N/A	less than 1 year	<u>4,084,914</u>
Total			<u>\$ 5,128,134</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

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. As of June 30, 2012, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2012, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Treasury Bill - Trustmark National Bank	\$ 353,044	7%
Federal Home Loan Bank - Trustmark National Bank	676,587	13%
Federal US Treasury Cash Reserve - Hancock Bank	13,589	0%
Certificates of Deposit - United Mississippi Bank	2,584,914	50%
Certificates of Deposit - Concordia Bank & Trust	1,500,000	30%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 42,326
Total		<u>\$ 42,326</u>

The primary purpose of the inter-fund receivables and payables was to close out federal program funds as part of routine year-end closing procedures. All inter-fund receivables and payables are expected to be repaid within one year.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 81,250
Total		<u>\$ 81,250</u>

Sixteenth section principal loans payable

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:

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

Year Ending June 30	Principal	Interest	Total
2013	\$ 16,250	\$ 3,250	\$ 19,500
2014	16,250	2,600	18,850
2015	16,250	1,950	18,200
2016	16,250	1,300	17,550
2017	16,250	650	16,900
Total	<u>\$ 81,250</u>	<u>\$ 9,750</u>	<u>\$ 91,000</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 597,830
EHA Part B Fund	General Fund	5,578
Sixteenth Section Interest Fund	General Fund	672,404
	Other governmental funds	1,031,450
Sixteenth Section Principal Fund	Sixteenth Section Interest Fund	10,250
Other governmental funds	General Fund	20,691
	Other governmental funds	96,569
Total		<u>\$ 2,434,772</u>

The transfers were primarily for the following: indirect cost transfers, vocational and special educational expenditure transfers, unemployment transfers, debt service transfers, and the transfer of expendable resources from the Sixteenth Section Interest Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$36,361 and \$1,500,000, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$1,122 and \$1,029,631, respectively, of the QZAB Bond Retirement Funds. Also, restricted assets include the cash with fiscal agent balance totaling \$70,000 of the QSCB Bond Retirement Fund. In addition, the restricted assets represent the investment balance totaling \$13,589 of the MAEP Limited Obligation Bond Fund. Finally, the restricted assets represent the cash balance totaling \$134,478 of the QSCB Construction Fund resulting from unspent proceeds of qualified school construction bonds.

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

Note 5 – Capital Assets

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

	Balance 7/1/2011	Increases	Decreases	Adjustments	Balance 6/30/2012
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 113,365				\$ 113,365
Construction in progress	138,279	1,024,158		(127,479)	1,034,958
Total non-depreciable capital assets	251,644	1,024,158	-	(127,479)	1,148,323
<u>Depreciable capital assets:</u>					
Buildings	5,042,359				5,042,359
Building improvements	4,206,780				4,206,780
Improvements other than buildings	472,573				472,573
Mobile equipment	1,544,440	159,800	28,800		1,675,440
Furniture and equipment	911,523	64,627	31,109		945,041
Total depreciable capital assets	12,177,675	224,427	59,909	-	12,342,193
<u>Less accumulated depreciation for:</u>					
Buildings	2,298,724	74,855			2,373,579
Building improvements	1,203,780	164,531			1,368,311
Improvements other than buildings	177,828	18,903			196,731
Mobile equipment	1,051,228	80,835	25,920		1,106,143
Furniture and equipment	732,814	49,166	30,798		751,182
Total accumulated depreciation	5,464,374	388,290	56,718	-	5,795,946
Total depreciable capital assets, net	6,713,301	(163,863)	3,191	-	6,546,247
Governmental activities capital assets, net	\$ 6,964,945	\$ 860,295	\$ 3,191	\$ (127,479)	\$ 7,694,570

An adjustment was needed to remove costs associated with a non-capital project included in construction in progress in the prior year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 268,036
Support services	109,545
Non-instructional	10,709
Total depreciation expense - Governmental activities	\$ 388,290

Construction in progress is composed of:

	Spent to June 30, 2012	Remaining Commitment
Governmental Activities:		
WCMS Gym	\$ 1,034,958	\$ 65,907
Total construction in progress	1,034,958	65,907

Construction projects included in governmental activities are funded with proceeds from the issuance of qualified school construction bonds.

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

Note 6 – Long-term Liabilities

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

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,530,000	\$	\$ 195,000	\$ 1,335,000	\$ 205,000
B. Three mill notes payable	140,000		65,000	75,000	75,000
C. Shortfall notes payable	-	232,102	73,668	158,434	77,307
D. Qualified zone academy bonds payable	1,500,000			1,500,000	-
E. Qualified school construction bonds payable	2,000,000			2,000,000	-
F. Compensated absences payable	96,234	13,032		109,266	5,463
Total	<u>\$ 5,266,234</u>	<u>\$ 245,134</u>	<u>\$ 333,668</u>	<u>\$ 5,177,700</u>	<u>\$ 362,770</u>

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
MAEP Refunding Bonds, Series 2009	3.09%	5/19/2009	2/1/2018	\$ 1,850,000	\$ 1,335,000
Total				<u>\$ 1,850,000</u>	<u>\$ 1,335,000</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 205,000	\$ 41,251	\$ 246,251
2014	210,000	34,917	244,917
2015	220,000	28,428	248,428
2016	225,000	21,630	246,630
2017	235,000	14,677	249,677
2018	240,000	7,416	247,416
Total	<u>\$ 1,335,000</u>	<u>\$ 148,319</u>	<u>\$ 1,483,319</u>

This debt will be retired from the MAEP Retirement 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 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2005	4.00%	9/1/2005	9/1/2012	\$ 500,000	\$ 75,000
Total				<u>\$ 500,000</u>	<u>\$ 75,000</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 75,000	\$ 1,500	\$ 76,500
Total	<u>\$ 75,000</u>	<u>\$ 1,500</u>	<u>\$ 76,500</u>

This debt will be retired from the EEF Buildings and Buses Fund (Special Revenue Fund 2410) and the Wilkinson County School District Note and Interest Fund (Debt Service Fund 4021).

This note is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi Department of Education pursuant to the Mississippi Education Enhancement Funds (EEF Fund), Section 37-61-33(2)(d), Miss. Code Ann. (1972). The EEF funds pledged is to secure the 2005 through 2013 maturities in the approximate amounts of \$45,921 each year. For fiscal year 2012, the district received \$45,921 in EEF Buildings and Buses revenue in fund 2410, which agrees with the pledged amount on the amortization schedule. For fiscal year 2012, there are principal payments of \$34,440 from the EEF Buildings and Buses fund and \$30,560 from the Wilkinson County School District Note and Interest Fund. The total principal payment for the three mill note was \$65,000 for fiscal year 2012.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue shortfall note, Series 2011	4.94%	6/30/2011	6/17/2014	\$ 232,102	\$ 158,434
Total				<u>\$ 232,102</u>	<u>\$ 158,434</u>

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

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

Year Ending June 30	Principal	Interest	Total
2013	\$ 77,307	\$ 7,827	\$ 85,134
2014	81,127	4,007	85,134
Total	<u>\$ 158,434</u>	<u>\$ 11,834</u>	<u>\$ 170,268</u>

This debt will be retired from the 2011 Shortfall Note Retirement Fund.

D. Qualified zone academy bonds payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB, Series 2004	0%	12/16/2004	9/15/2015	\$ 1,000,000	\$ 1,000,000
QZAB, Series 2005	0%	6/3/2005	6/3/2014	500,000	500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

E. Qualified school construction bonds payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB, Series 2010	0.84%	12/21/2010	12/15/2025	\$ 2,000,000	\$ 2,000,000
Total				<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

F. 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 – Prior Year Defeasance of Debt

In prior years, the Wilkinson County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2012, \$1,290,000 of bonds outstanding are defeased.

Note 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Commitments under renovation contracts amount to \$16,730.

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

Note 9 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% 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, 2012, 2011 and 2010 were \$856,544, \$809,981 and \$844,127, respectively, which equaled the required contributions for each year.

Note 10 – 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.

Annual rental payments for the use of school trust lands for leases existing as of June 30, 2012 totaled \$276,157. The existing leases will expire in 2013 and the leases were paid in full one year prior to the expiration of the leases.

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct overstatement of prior year receivables at the governmental fund level	\$ (19,462)
2. To correct capital assets for costs related to non-capital projects included in prior year construction in progress	(127,479)
Total	<u>\$ (146,941)</u>

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

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

Fund	Explanation	Amount
General Fund	To correct overstatement of prior year receivables	\$ (19,227)
EHA Part B Fund	To correct overstatement of prior year receivables	(944)
Sixteenth Section Interest Fund	To correct overstatement of prior year receivables	(397)
Other governmental funds	To correct prior year recording of an asset or liability	1,106
Total		<u>\$ (19,462)</u>

Note 12 – 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.

Note 13 – Risk Management

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

Note 14 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated December 16, 2004 for the \$1,000,000 QZAB and June 3, 2005 for the \$500,000 QZAB. The school district has twenty-six partners that will make contributions of at least ten percent of the sum generated by the issuance of bonds. The bonds will enhance public education by establishing math/science and technology academics at three schools.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before December 3 for the \$1,000,000 issue and September 15 for the \$500,000 issue. The amount on deposit at June 30, 2012 was \$677,689 for the \$1,000,000 issue and \$353,064 for the \$500,000 issue. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

Year Ending June 30	Amount
2013	\$ 128,020
2014	128,020
2015	82,020
Total	\$ 338,060

Note 15 – Qualified School Construction Bonds

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2012 was \$70,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2013	\$ 60,000
2014	144,000
2015	144,000
2016	144,000
2017	144,000
2018 – 2022	720,000
2023 – 2026	574,000
Total	\$ 1,930,000

Note 16 - Insurance loss recoveries

The Wilkinson County School District received \$7,575 in insurance loss recoveries related to damages during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2012

Note 17 - 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 Wilkinson County School District evaluated the activity of the district through October 22, 2013, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

WILKINSON COUNTY SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,057,043	\$ 1,735,714	\$ 1,735,714	\$ (321,329)	\$ -
State sources	6,127,699	6,125,055	6,123,218	(2,644)	(1,837)
Federal sources	245,000	279,960	281,797	34,960	1,837
Total Revenues	8,429,742	8,140,729	8,140,729	(289,013)	-
Expenditures:					
Instruction	5,300,765	4,898,911	4,898,911	401,854	-
Support services	3,700,302	3,344,890	3,344,890	355,412	-
Noninstructional services	107,950	102,159	102,159	5,791	-
Debt service:					
Principal	16,250	70,000	-	(53,750)	70,000
Interest	3,900	16,683	16,683	(12,783)	-
Other	-	500	500	(500)	-
Total Expenditures	9,129,167	8,433,143	8,363,143	696,024	70,000
Excess (Deficiency) of Revenues over (under) Expenditures	(699,425)	(292,414)	(222,414)	407,011	70,000
Other Financing Sources (Uses):					
Bonds and notes issued	-	-	232,102	-	232,102
Insurance recovery	-	7,575	7,575	7,575	-
Payment to QZAB/QSCB debt escrow agent	-	-	(70,000)	-	(70,000)
Sale of transportation equipment	-	772	772	772	-
Operating transfers in	2,214,446	1,712,794	698,673	(501,652)	(1,014,121)
Operating transfers out	(1,544,889)	(1,538,283)	(597,830)	6,606	940,453
Other financing uses	-	(11)	(11)	(11)	-
Total Other Financing Sources (Uses)	669,557	182,847	271,281	(486,710)	88,434
Net Change in Fund Balances	(29,868)	(109,567)	48,867	(79,699)	158,434
Fund Balances:					
July 1, 2011, as originally reported	675,616	608,514	604,514	(67,102)	(4,000)
Prior period adjustments	-	(23,227)	(19,227)	(23,227)	4,000
July 1, 2011, as restated	675,616	585,287	585,287	(90,329)	-
June 30, 2012	\$ 645,748	\$ 475,720	\$ 634,154	\$ (170,028)	\$ 158,434

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

WILKINSON COUNTY SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
EHA Part B Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances		
				Original	Final	Positive (Negative) to Final
	Original	Final	(GAAP Basis)	to Final	to Actual	
Revenues:						
State sources	\$ -	\$ 16,948	\$ 16,948	\$ 16,948	\$ -	
Federal sources	489,849	317,256	280,963	(172,593)	(36,293)	
Total Revenues	489,849	334,204	297,911	(155,645)	(36,293)	
Expenditures:						
Instruction	212,243	58,148	58,148	154,095	-	
Support services	267,006	233,241	233,241	33,765	-	
Noninstructional services	2,000	-	-	2,000	-	
Total Expenditures	481,249	291,389	291,389	189,860	-	
Excess (Deficiency) of Revenues over (under) Expenditures	8,600	42,815	6,522	34,215	(36,293)	
Other Financing Sources (Uses):						
Operating transfers out	(8,600)	(5,578)	(5,578)	3,022	-	
Total Other Financing Sources (Uses)	(8,600)	(5,578)	(5,578)	3,022	-	
Net Change in Fund Balances	-	37,237	944	37,237	(36,293)	
Fund Balances:						
July 1, 2011, as originally reported	-	-	-	-	-	
Prior period adjustments	-	(944)	(944)	(944)	-	
July 1, 2011, as restated	-	(944)	(944)	(944)	-	
June 30, 2012	\$ -	\$ 36,293	\$ -	\$ 36,293	\$ (36,293)	

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

WILKINSON COUNTY SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original	Final
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 669,163	\$ 4,472,019	\$ 4,472,019	\$ 3,802,856	\$ -
Total Revenues	669,163	4,472,019	4,472,019	3,802,856	-
Expenditures:					
Sixteenth section	1,526	5,314	5,314	(3,788)	-
Total Expenditures	1,526	5,314	5,314	(3,788)	-
Excess (Deficiency) of Revenues over (under) Expenditures	667,637	4,466,705	4,466,705	3,799,068	-
Other Financing Sources (Uses):					
Operating transfers in	18,900	10,250	10,250	(8,650)	-
Operating transfers out	(1,212,347)	(1,703,854)	(1,703,854)	(491,507)	-
Total Other Financing Sources (Uses)	(1,193,447)	(1,693,604)	(1,693,604)	(500,157)	-
Net Change in Fund Balances	(525,810)	2,773,101	2,773,101	3,298,911	-
Fund Balances:					
July 1, 2011, as originally reported	3,918,429	3,927,964	3,927,964	9,535	-
Prior period adjustments	-	(397)	(397)	(397)	-
July 1, 2011, as restated	3,918,429	3,927,567	3,927,567	9,138	-
June 30, 2012	\$ 3,392,619	\$ 6,700,668	\$ 6,700,668	\$ 3,308,049	\$ -

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

WILKINSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2012

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

WILKINSON COUNTY SCHOOL DISTRICT
Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 294,775
National school lunch program	10.555	578,018
Total child nutrition cluster		872,793
Total passed-through Mississippi Department of Education		872,793
Passed-through Wilkinson County Board of Supervisors:		
Schools and Roads - Grants to states	10.665	219,446
Total passed-through Wilkinson County Board of Supervisors		219,446
Total U.S. Department of Agriculture		1,092,239
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	59,777
Total U.S. Department of Defense		59,777
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	30,254
Total Federal Communications Commission		30,254
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Adult Education - Basic Grants to States	84.002	82,775
Career and technical education - basic grants to states	84.048	28,652
Rehabilitation Services_ Vocational Rehabilitation Grants to States	84.126	1,837
Rural education	84.358	49,753
Improving Teacher Quality State Grants	84.367	233,369
Education Jobs Fund	84.410	60,458
Subtotal		456,844
Title I cluster:		
Title I grants to local educational agencies	84.010	1,263,984
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	41,802
Total Title I cluster		1,305,786
Education Technology State Grants cluster:		
Education Technology State Grants	84.318	1,509
ARRA - Education Technology State Grants, Recovery Act	84.386	21,091
Total Education Technology State Grants cluster		22,600
Special education cluster:		
Special education - grants to states	84.027	291,015
Special education - preschool grants	84.173	12,598
ARRA - Special education grants to states, Recovery Act	84.391	92,090
ARRA - Special education - preschool grants, Recovery Act	84.392	6,101
Total special education cluster		401,804
Total passed-through Mississippi Department of Education		2,187,034
Total U.S. Department of Education		2,187,034
Total for All Federal Awards		\$ 3,369,304

NOTES TO SCHEDULE

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

**WILKINSON COUNTY SCHOOL DISTRICT
Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2012**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 9,357,582	6,848,790	532,904	630,048	1,345,840
Other	5,096,032	1,204,964	240,449	55,001	3,595,618
Total	<u>\$ 14,453,614</u>	<u>8,053,754</u>	<u>773,353</u>	<u>685,049</u>	<u>4,941,458</u>
Total number of students *	<u>1,359</u>				
Cost per student	<u>\$ 10,635</u>	<u>5,926</u>	<u>569</u>	<u>504</u>	<u>3,636</u>

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

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

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

School Administration - includes expenditures for the following 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

WILKINSON COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2012	2011*	2010*	2009*
Revenues:				
Local sources	\$ 1,735,714	\$ 1,965,453	\$ 1,714,295	\$ 1,821,245
State sources	6,123,218	5,631,312	5,538,336	6,371,057
Federal sources	281,797	278,301	276,876	249,002
Total Revenues	<u>8,140,729</u>	<u>7,875,066</u>	<u>7,529,507</u>	<u>8,441,304</u>
Expenditures:				
Instruction	4,898,911	4,325,989	4,710,908	5,392,295
Support services	3,344,890	3,184,500	3,090,383	3,196,822
Noninstructional services	102,159	74,936	91,704	130,107
Sixteenth section		5,985		
Debt service:				
Interest	16,683	4,750	5,600	6,850
Other	500			
Total Expenditures	<u>8,363,143</u>	<u>7,596,160</u>	<u>7,898,595</u>	<u>8,726,074</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(222,414)</u>	<u>278,906</u>	<u>(369,088)</u>	<u>(284,770)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	232,102			
Insurance recovery	7,575	31,728	4,441	85,982
Sale of Transportation equipment	772	400		
Sale of other property		8		5
Operating transfers in	698,673	546,709	934,184	597,754
Other financing sources				
Payment to QZAB/QSCB debt escrow agent	(70,000)			
Operating transfers out	(597,830)	(652,556)	(502,919)	(485,305)
Other financing uses	(11)	(670)	(894)	(93)
Total Other Financing Sources (Uses)	<u>271,281</u>	<u>(74,381)</u>	<u>434,812</u>	<u>198,343</u>
Net Change in Fund Balances	<u>48,867</u>	<u>204,525</u>	<u>65,724</u>	<u>(86,427)</u>
Fund Balances:				
Beginning of period, as originally reported	604,514	399,989	330,265	416,692
Prior period adjustments	(19,227)	0	4,000	0
Beginning of period, as restated	<u>585,287</u>	<u>399,989</u>	<u>334,265</u>	<u>416,692</u>
End of Period	<u>\$ 634,154</u>	<u>\$ 604,514</u>	<u>\$ 399,989</u>	<u>\$ 330,265</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

WILKINSON COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2012	2011*	2010*	2009*
Revenues:				
Local sources	\$ 2,098,478	\$ 2,285,712	\$ 2,034,734	\$ 2,130,286
State sources	6,790,682	6,223,600	6,301,975	7,124,392
Federal sources	3,359,844	4,700,885	4,083,964	2,780,448
Sixteenth section sources	4,606,736	950,177	973,266	521,450
Total Revenues	16,855,740	14,160,374	13,393,939	12,556,576
Expenditures:				
Instruction	6,308,732	7,130,337	7,051,605	6,835,424
Support services	5,603,049	4,870,407	4,612,345	4,528,829
Noninstructional services	1,075,200	1,004,133	1,022,926	1,007,318
Sixteenth section	26,775	46,662	40,079	98,163
Facilities acquisition and construction	1,024,158	509,171		0
Debt service:				
Principal	333,668	255,000	190,000	220,000
Interest	79,232	64,005	53,934	105,920
Debt issuance cost			0	25,921
Other	2,800	21,560	2,300	2,318
Total Expenditures	14,453,614	13,901,275	12,973,189	12,823,893
Excess (Deficiency) of Revenues over (under) Expenditures	2,402,126	259,099	420,750	(267,317)
Other Financing Sources (Uses):				
Bonds and notes issued	232,102	2,000,000	0	1,850,000
Insurance recovery	7,575	31,728	4,441	85,982
Sale of transportation equipment	772	400		
Sale of other property		8		5
Payments held by QZAB escrow agent	206,693	136,020	137,020	136,020
Payments to QZAB debt escrow agent	(206,693)	(136,020)	(137,020)	(136,020)
Payments to refunded bond escrow agent				(1,824,079)
Operating transfers in	2,434,772	1,486,752	1,534,892	1,186,569
Other financing sources	1,300	1,973	973	1,973
Operating transfers out	(2,434,772)	(1,486,752)	(1,534,892)	(1,186,569)
Other financing uses	(1,314)	(4,257)	(6,000)	(4,581)
Total Other Financing Sources (Uses)	240,435	2,029,852	(586)	109,300
Net Change in Fund Balances	2,642,561	2,288,951	420,164	(158,017)
Fund Balances:				
Beginning of period, as originally reported	9,341,198	7,056,006	6,623,230	6,778,705
Prior period adjustments	(19,462)	0	3,625	(610)
Beginning of period, as restated	9,321,736	7,056,006	6,626,855	6,778,095
Increase (Decrease) in reserve for inventory	(13,175)	(3,759)	8,987	3,152
End of Period	\$ 11,951,122	\$ 9,341,198	\$ 7,056,006	\$ 6,623,230

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD AND STAFFORD
Professional Limited Liability Company
Certified Public Accountants

River Hills Tower, 1675 Lakeland Drive, Suite 505
Jackson, MS 39216
Phone (601) 982-0010 Fax (601) 982-0013

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, CPA

**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
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wilkinson County School District as of and for the year ended June 30, 2012, which collectively comprise Wilkinson County School District's basic financial statements and have issued our report thereon dated October 22, 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 Wilkinson 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 opinions 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 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.

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 a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of Wilkinson County School District in a separate letter dated October 22, 2013.

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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
October 22, 2013

Watkins Ward and Stafford, PLLC



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

River Hills Tower, 1675 Lakeland Drive, Suite 505
Jackson, MS 39216

Phone (601) 982-0010 Fax (601) 982-0013

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, CPA

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

Superintendent and School Board
Wilkinson County School District

Compliance

We have audited the compliance of the Wilkinson County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Wilkinson 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 on the school district's compliance with those requirements.

In our opinion, Wilkinson County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Wilkinson 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 Wilkinson 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 certain deficiencies in internal control over compliance that we consider to be a significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Findings **2012-01 and 2012-02**. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

Watkins, Ward, and Stafford, PLLC
October 22, 2013
Jackson, Mississippi

Watkins Ward and Stafford, PLLC

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



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

River Hills Tower, 1675 Lakeland Drive, Suite 505
Jackson, MS 39216
Phone (601) 982-0010 Fax (601) 982-0013

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, CPA

**INDEPENDENT AUDITOR’S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilkinson County School District as of and for the year ended June 30, 2012, which collectively comprise Wilkinson County School District’s basic financial statements and have issued our report thereon dated October 22, 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 insure 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 \$6,404 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, “the auditor shall test to insure 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. The district should have the year-end financial statements available for audit on or before October 15, 2012.

Finding

Section 37-61-21(2), Miss. Code Ann. (1972), requires that Mississippi Public School Districts should have the year-end financial statements available for audit on or before October 15 of each year.

During our test work at Wilkinson County School District, we noted that the district did not have the GASB 34 statements completed at the beginning of test work on January 8, 2013. The district provided copies of the old fund financial A's and B's, but the auditor was not provided the GASB 34 financial statements until January 29, 2013.

This noncompliance occurred because the district was unaware that the GASB 34 financials should also be completed by October 15 so that the financials may be audited.

Noncompliance with Section 37-61-21(2), Miss. Code Ann. (1972) could result in the district violating state laws regarding having year-end financial statements available for audit on or before October 15 of each year.

Recommendation

We recommend that the district comply with Section 37-61-21(2), Miss. Code Ann. (1972), which requires the district to have the year-end financial statements available for audit on or before October 15 of each year.

District's Response

The district plans to have the GASB 34 financial statements prepared by October 15 in the following years.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Wilkinson County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Watkins, Ward, and Stafford, PLLC

October 22, 2013

Jackson, Mississippi

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WILKINSON COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555	Child Nutrition Cluster
84.010; 84.389	Title I Cluster

- | | | |
|-----|---|------------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No |

WILKINSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies Not Considered to be a Material Weaknesses in Internal Controls

2012-01 Finding

Program: Title I Cluster – CFDA # 84.010; 84.389

IDEA Part B – CFDA # 84.027
ARRA IDEA Part B – CFDA # 84.391

U.S. Department of Education; passed through the Mississippi Department of Education

Compliance requirement: Cash Management

During testing the auditor noted excessive cash balances within two federal reimbursable funds. The auditor also noted that at the end of the year the district had cash balances in four of the federal reimbursable funds.

The excessive cash balances were caused due to insufficient internal controls in cash management.

Inadequate controls related to estimates of expenditures can cause the district to request excessive funds and retain cash balances.

Recommendation:

The district should implement stronger internal controls to ensure that reimbursements are not requested until funds have been expended.

WILKINSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Finding 2012-2:

Internal Controls Surrounding the Reporting Requirements Should Be Strengthened

Program: Child Nutrition Cluster, Passed-Through the Mississippi Department of Education

CFDA# 10.553 - School Breakfast Program
CFDA# 10.555 - National School Lunch Program

Compliance requirement: Reporting

Management is responsible for complying with the requirements of the Mississippi Department of Education's Policies and Procedures Manual for Child Nutrition Programs, which requires that the school district's "Monthly Claim for Reimbursement - School Lunch and School Breakfast" report be received by the Mississippi Department of Education by the 10th day of the month following the reporting month.

During the test work surrounding the submission of the "Monthly Claim for Reimbursement -School Lunch and School Breakfast" report by the proper deadline, we noted that two of the ten required reports were not submitted to the Mississippi Department of Education by the 10th of the month.

Lack of adequate internal controls concerning the timely submission of the "Monthly Claim for Reimbursement - School Lunch and School Breakfast" reports by the proper deadline could result in the district not receiving its federal reimbursement in a timely manner to cover the expenditures of the program.

Recommendation:

The district should implement policies and procedures to ensure compliance with the reporting requirements of the Child Nutrition Cluster.

WILKINSON COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

WILKINSON COUNTY SCHOOL DISTRICT
488 Main Street
Woodville, MS 39669
Timothy T. Scott, Superintendent
Nakia Stewart, Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____.315(b) of OMB Circular A-133, the Wilkinson 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, 2012:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2012-01	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Mr. Chavis L. Bradford Title: Director of Federal Programs Phone number: 601-888-3320</p> <p>b. Corrective Action Planned:</p> <p>The district has implemented control procedures to ensure the proper reporting of expenditures to ensure funds are not drawn down before they are expended.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2013</p>
2012-02	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Ingrid James Title: Food Service Supervisor Phone number: 601-888-3483</p> <p>b. Corrective Action Planned:</p> <p>The district will follow the policy to have all claims submitted by the 10th of each month.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2013</p>