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YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2012

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Yazoo City Municipal School District  
Yazoo City, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo City Municipal School District as of and for the year ended June 30, 2012, which collectively comprise the Yazoo City Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Yazoo City Municipal 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. An audit also includes 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 Yazoo City Municipal 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 April 22, 2013, on our consideration of the Yazoo City Municipal 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 Yazoo City Municipal School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 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 Yazoo City Municipal 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.



Cunningham CPAs, PLLC

April 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

The following discussion and analysis of Yazoo City Municipal 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 \$886,305, including a prior period adjustment of (\$17,158), which represents a 56% increase from fiscal year 2011. Total net assets for 2011 increased \$1,137,301, which represents a 260% increase from fiscal year 2010.
- General revenues amounted to \$15,372,415 and \$13,528,932, or 71% and 60% 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 \$6,184,996, or 29% of total revenues for 2012, and \$9,089,399, or 40% of total revenues for 2011.
- The District had \$20,653,948 and \$21,481,030 in expenses for fiscal years 2012 and 2011; only \$6,184,996 for 2012 and \$9,089,399 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,372,415 for 2012 were adequate to provide for these programs and \$13,528,932 for 2011 were adequate to provide for these programs.
- Among major funds, the General Fund had \$13,989,322 in revenues and \$14,153,242 in expenditures for 2012, and \$12,245,567 in revenues and \$11,646,674 in expenditures in 2011. The General Fund's fund balance decreased by \$95,988 from 2011 to 2012, and increased by \$548,617 from 2010 to 2011.
- Capital assets, net of accumulated depreciation, increased by \$168,055, which includes a prior period adjustment of (\$17,947), and decreased by \$325,086 for 2011. The increase for 2012 was due to current year additions net of the increase in accumulated depreciation.
- Long-term debt decreased by \$667,231, including a prior period adjustment of \$27,500, for 2012 and decreased by \$561,819 for 2011. This decrease for 2012 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$6,440 for 2012 and increased by \$8,517 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 nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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 and other debt service costs.

**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:

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.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

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 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 \$2,460,441 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.

YAZOO CITY MUNICIPAL 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>	<u>Percentage Change</u>
Current assets	\$ 2,721,598	\$ 3,164,436	(13.99) %
Other assets	53,611	63,181	(15.15) %
Restricted assets	1,054,634	891,972	18.24 %
Capital assets, net	4,347,782	4,179,727	4.02 %
<b>Total assets</b>	<b><u>8,177,625</u></b>	<b><u>8,299,316</u></b>	<b>(1.47) %</b>
Current liabilities	94,939	442,144	(78.53) %
Long-term debt outstanding	5,622,245	6,283,036	(10.52) %
<b>Total liabilities</b>	<b><u>5,717,184</u></b>	<b><u>6,725,180</u></b>	<b>(14.99) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	(1,168,168)	(2,003,454)	41.69 %
Restricted	2,163,595	2,072,045	4.42 %
Unrestricted	1,465,014	1,505,545	(2.69) %
<b>Total net assets</b>	<b><u>\$ 2,460,441</u></b>	<b><u>\$ 1,574,136</u></b>	<b>56.30 %</b>

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 \$168,055.
- The principal retirement of \$675,000 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 \$21,557,411 and \$22,618,331, respectively. The total cost of all programs and services was \$20,653,948 for 2012 and \$21,481,030 for 2011.

YAZOO CITY MUNICIPAL 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</u> <u>June 30, 2012</u>	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 222,820	\$ 205,683	8.33 %
Operating grants and contributions	5,962,176	8,883,716	(32.89) %
General revenues:			
Property taxes	2,211,731	1,856,256	19.15 %
Grants and contributions not restricted	12,980,944	11,545,354	12.43 %
Investment earnings	35,146	8,336	321.62 %
Sixteenth section sources	32,566	33,066	(1.51) %
Other	112,028	85,920	30.39 %
<b>Total revenues</b>	<b>21,557,411</b>	<b>22,618,331</b>	<b>(4.69) %</b>
<b>Expenses:</b>			
Instruction	12,202,184	13,092,190	(6.80) %
Support services	6,571,361	6,405,102	2.60 %
Non-instructional	1,752,571	1,729,696	1.32 %
Interest on long-term liabilities and other debt service costs	127,832	254,042	(49.68) %
<b>Total expenses</b>	<b>20,653,948</b>	<b>21,481,030</b>	<b>(3.85) %</b>
<b>Increase (Decrease) in net assets</b>	<b>903,463</b>	<b>1,137,301</b>	<b>(20.56) %</b>
<b>Net Assets, July 1, as previously reported</b>	<b>1,574,136</b>	<b>436,835</b>	<b>260.35 %</b>
Prior Period Adjustment	(17,158)	-	N/A %
<b>Net Assets, July 1, as restated</b>	<b>1,556,978</b>	<b>436,835</b>	<b>256.42 %</b>
<b>Net Assets, June 30</b>	<b>\$ 2,460,441</b>	<b>\$ 1,574,136</b>	<b>56.30 %</b>

**Governmental activities**

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities and other debt service costs. 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.

YAZOO CITY MUNICIPAL 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	\$ 12,202,184	\$ 13,092,190	(6.80) %
Support services	6,571,361	6,405,102	2.60 %
Non-instructional	1,752,571	1,729,696	1.32 %
Interest on long-term liabilities and other debt service costs	127,832	254,042	(49.68) %
<b>Total expenses</b>	<b><u>\$ 20,653,948</u></b>	<b><u>\$ 21,481,030</u></b>	<b>(3.85) %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ (9,167,065)	\$ (7,852,025)	16.75 %
Support services	(5,315,767)	(4,435,828)	19.84 %
Non-instructional	141,712	150,264	(5.69) %
Interest on long-term liabilities and other debt service costs	(127,832)	(254,042)	(49.68) %
<b>Total net (expense) revenue</b>	<b><u>\$ (14,468,952)</u></b>	<b><u>\$ (12,391,631)</u></b>	<b>16.76 %</b>

- Net cost of governmental activities (\$14,468,952 for 2012 and \$12,391,631 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$2,211,731 for 2012 and \$1,856,256 for 2011) and state and federal revenues (\$12,980,944 for 2012 and \$11,545,354 for 2011). In addition, there was \$32,566 and \$33,066 in Sixteenth Section sources for 2012 and 2011, respectively.
- Investment earnings amounted to \$35,146 for 2012 and \$8,336 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 \$3,713,255, an increase of \$55,764, which includes a decrease in inventory of \$300. \$1,300,033 or 35% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,413,222 or 65% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$95,988. The fund balance of Other Governmental Funds showed a decrease in the amount of \$108,261, due to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child nutrition fund	\$ 129,172
Limited tax note fund	\$ 3,168
Bond issue retirement fund	\$ 17,635
MAEP retirement fund	\$ 110,038

**BUDGETARY HIGHLIGHTS**

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each major special revenue fund 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 \$15,213,418, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$575,538 from 2011. Total accumulated depreciation as of June 30, 2012, was \$10,865,636, and total depreciation expense for the year was \$457,085, resulting in total net capital assets of \$4,347,782.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 602,643	\$ 602,643	0.00 %
Buildings	2,655,650	2,839,697	(6.48) %
Building improvements	312,797	333,995	(6.35) %
Mobile equipment	252,322	311,588	(19.02) %
Furniture and equipment	524,370	91,804	471.18 %
<b>Total</b>	<b><u>\$ 4,347,782</u></b>	<b><u>\$ 4,179,727</u></b>	<b>4.02 %</b>

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

**Debt Administration.** At June 30, 2012, the District had \$5,622,245 in outstanding long-term debt, of which \$784,486 is due within one year. The liability for compensated absences increased \$6,440 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,145,000	\$ 3,480,000	(9.63) %
Limited obligation bonds payable	1,700,000	1,820,000	(6.59) %
Limited tax notes payable	745,000	905,000	(17.68) %
Compensated absences payable	<u>106,295</u>	<u>99,855</u>	6.45 %
<b>Total</b>	<u>5,696,295</u>	<u>6,304,855</u>	(9.65) %
Less bond issue costs	<u>(74,050)</u>	<u>(21,819)</u>	239.38 %
<b>Total</b>	<u>\$ 5,622,245</u>	<u>\$ 6,283,036</u>	(10.52) %

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

**CURRENT ISSUES**

The Yazoo City Municipal 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 are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for 2011-2012 year increased by 3% to 2,294 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Yazoo City Municipal School District, 1133 Calhoun Avenue, Yazoo City, Mississippi 39194.

FINANCIAL STATEMENTS

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Statement of Net Assets**  
**June 30, 2012**

**Exhibit A**

	Governmental Activities	
	<hr/>	
<b>Assets</b>		
Cash and cash equivalents	\$	1,717,383
Due from other governments		986,461
Other receivables, net		240
Inventories		17,514
Restricted assets		1,054,634
Deferred debt issuance costs		53,611
Capital assets, non-depreciable:		
Land		602,643
Capital assets, net of accumulated depreciation:		
Buildings		2,655,650
Improvements other than buildings		312,797
Mobile equipment		252,322
Furniture and equipment		524,370
Total Assets		<hr/> <hr/> 8,177,625
<b>Liabilities</b>		
Accounts payable and accrued liabilities		36,471
Unearned revenue		26,506
Interest payable on long-term liabilities		31,962
Long-term liabilities, due within one year:		
Capital related liabilities		784,486
Long-term liabilities, due beyond one year:		
Capital related liabilities		4,731,464
Non-capital related liabilities		106,295
Total Liabilities		<hr/> <hr/> 5,717,184
<b>Net Assets</b>		
Invested in capital assets, net of related debt		(1,168,168)
Restricted for:		
Expendable:		
School-based activities		1,266,562
Debt service		321,297
Capital improvements		109,962
Forestry improvements		3,127
Unemployment benefits		67,951
Non-expendable:		
Sixteenth section		394,696
Unrestricted		1,465,014
Total Net Assets	\$	<hr/> <hr/> 2,460,441

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

**YAZOO CITY MUNICIPAL 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		
<b>Governmental Activities:</b>						
Instruction	\$ 12,202,184	\$ 108,105	\$ 2,927,014	\$ -	\$ (9,167,065)	
Support services	6,571,361	-	1,255,594	-	(5,315,767)	
Non-instructional	1,752,571	114,715	1,779,568	-	141,712	
Interest on long-term liabilities and other debt service costs	127,832	-	-	-	(127,832)	
<b>Total Governmental Activities</b>	<b>\$ 20,653,948</b>	<b>\$ 222,820</b>	<b>\$ 5,962,176</b>	<b>\$ -</b>	<b>\$ (14,468,952)</b>	

**General Revenues:**

**Taxes:**

General purpose levies 1,691,911  
Debt purpose levies 519,820

**Unrestricted grants and contributions:**

State 12,116,514  
Federal 864,430  
Unrestricted investment earnings 35,146  
Sixteenth section sources 32,566  
Other 112,028

**Total General Revenues 15,372,415**

Change in Net Assets 903,463

Net Assets - Beginning, as previously reported 1,574,136  
Prior Period Adjustments (17,158)

Net Assets - Beginning, as restated 1,556,978

Net Assets - Ending **\$ 2,460,441**

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**June 30, 2012**

**Exhibit C**

	Major Funds						Total Governmental Funds
	General Fund	Child Nutrition Fund	Limited Tax Note Fund	Bond Issue Retirement Fund	MAEP Retirement Fund	Other Governmental Funds	
<b>Assets</b>							
Cash and cash equivalents	\$ 492,425	\$ 618,322	\$ 186,882	\$ 358,018	\$ -	\$ 1,001,332	\$ 2,656,979
Cash with fiscal agents	-	-	-	-	115,038	-	115,038
Other receivables, net	240	-	-	-	-	-	240
Due from other governments	202,463	2,481	3,168	7,927	155,504	482,293	853,836
Due from other funds	1,076,868	-	67,360	111,483	-	328,547	1,584,258
Inventories	-	17,514	-	-	-	-	17,514
<b>Total assets</b>	<b>\$ 1,771,996</b>	<b>\$ 638,317</b>	<b>\$ 257,410</b>	<b>\$ 477,428</b>	<b>\$ 270,542</b>	<b>\$ 1,812,172</b>	<b>\$ 5,227,865</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 13,796	\$ 1,168	\$ -	\$ -	\$ -	\$ 21,507	\$ 36,471
Due to other funds	241,026	-	254,242	397,879	-	558,486	1,451,633
Unearned revenue	-	-	-	-	-	26,506	26,506
<b>Total Liabilities</b>	<b>254,822</b>	<b>1,168</b>	<b>254,242</b>	<b>397,879</b>	<b>-</b>	<b>606,499</b>	<b>1,514,610</b>
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory	-	17,514	-	-	-	-	17,514
Ad valorem	166,127	-	-	-	-	-	166,127
Permanent fund principal	-	-	-	-	-	394,696	394,696
<b>Restricted:</b>							
Debt service	-	-	3,168	79,549	270,542	-	353,259
Capital projects	-	-	-	-	-	109,962	109,962
Forestry improvement purposes	-	-	-	-	-	3,127	3,127
Unemployment benefits	-	-	-	-	-	67,951	67,951
Grant activities	-	619,635	-	-	-	578,399	1,198,034
<b>Assigned:</b>							
School based activities	51,014	-	-	-	-	-	51,014
Capital improvements	-	-	-	-	-	51,538	51,538
<b>Unassigned</b>	<b>1,300,033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,300,033</b>
<b>Total Fund Balances</b>	<b>1,517,174</b>	<b>637,149</b>	<b>3,168</b>	<b>79,549</b>	<b>270,542</b>	<b>1,205,673</b>	<b>3,713,255</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,771,996</b>	<b>\$ 638,317</b>	<b>\$ 257,410</b>	<b>\$ 477,428</b>	<b>\$ 270,542</b>	<b>\$ 1,812,172</b>	<b>\$ 5,227,865</b>

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

**YAZOO CITY MUNICIPAL 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** \$ 3,713,255

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	\$ 602,643	
Buildings	11,497,443	
Improvements other than buildings	629,300	
Mobile equipment	1,353,096	
Furniture and equipment	1,130,936	
Accumulated depreciation	<u>(10,865,636)</u>	4,347,782
2. Bond issue costs related to advance refunding are reported as expenses in the fund financial statements but are capitalized as deferred charges and amortized over the life of the debt in government-wide financial statements.		
		53,611
3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation refunding bonds	(3,145,000)	
Limited obligation refunding bonds	(1,700,000)	
Limited tax notes payable	(745,000)	
Compensated absences	(106,295)	
Unamortized bond premiums and other debt issuance costs	74,050	
Accrued interest payable	<u>(31,962)</u>	<u>(5,654,207)</u>
<b>Net assets of governmental activities</b>		<u>\$ 2,460,441</u>

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Child Nutrition Fund	Limited Tax Note Fund	Bond Issue Retirement Fund	MAEP Retirement Fund		
<b>Revenues:</b>							
Local sources	\$ 1,928,094	\$ 118,645	\$ 142,657	\$ 382,960	\$ 791	\$ 344	\$ 2,573,491
Intermediate sources	3,836	-	-	-	-	-	3,836
State sources	11,122,547	16,891	-	-	311,007	1,196,991	12,647,436
Federal sources	934,845	1,654,172	-	-	-	3,702,829	6,291,846
Sixteenth section sources	-	-	-	-	-	32,566	32,566
<b>Total Revenues</b>	<b>13,989,322</b>	<b>1,789,708</b>	<b>142,657</b>	<b>382,960</b>	<b>311,798</b>	<b>4,932,730</b>	<b>21,549,175</b>
<b>Expenditures:</b>							
Instruction	8,789,055	-	-	-	-	3,142,681	11,931,736
Support services	5,364,187	106,641	-	-	-	1,558,222	7,029,050
Noninstructional services	-	1,553,595	-	-	-	190,997	1,744,592
Debt service:							
Principal	-	-	160,000	335,000	180,000	-	675,000
Interest	-	-	39,660	54,325	20,287	-	114,272
Other	-	-	4,224	1,000	26,228	-	31,452
<b>Total Expenditures</b>	<b>14,153,242</b>	<b>1,660,236</b>	<b>203,884</b>	<b>390,325</b>	<b>226,515</b>	<b>4,891,900</b>	<b>21,526,102</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(163,920)	129,472	(61,227)	(7,365)	85,283	40,830	23,073
<b>Other Financing Sources (Uses):</b>							
Refunding bonds issued	-	-	-	-	1,880,000	-	1,880,000
Premium on refunding bonds issued	-	-	-	-	6,301	-	6,301
Insurance recovery	5,860	-	-	-	-	-	5,860
Other financing sources	2,376	-	-	-	-	-	2,376
Operating transfers in	121,208	-	64,395	25,000	-	347,009	557,612
Operating transfers out	(61,512)	-	-	-	-	(496,100)	(557,612)
Payment to refunded bond escrow agent	-	-	-	-	(1,861,546)	-	(1,861,546)
<b>Total Other Financing Sources (Uses)</b>	<b>67,932</b>	<b>-</b>	<b>64,395</b>	<b>25,000</b>	<b>24,755</b>	<b>(149,091)</b>	<b>32,991</b>
<b>Net Change in Fund Balances</b>	<b>(95,988)</b>	<b>129,472</b>	<b>3,168</b>	<b>17,635</b>	<b>110,038</b>	<b>(108,261)</b>	<b>56,064</b>
<b>Fund Balances:</b>							
June 30, 2011	1,613,162	507,977	-	61,914	160,504	1,313,934	3,657,491
Decrease in reserve for inventory	-	(300)	-	-	-	-	(300)
<b>June 30, 2012</b>	<b>\$ 1,517,174</b>	<b>\$ 637,149</b>	<b>\$ 3,168</b>	<b>\$ 79,549</b>	<b>\$ 270,542</b>	<b>\$ 1,205,673</b>	<b>\$ 3,713,255</b>

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

**YAZOO CITY MUNICIPAL 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** \$ 56,064

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	\$ 643,087	
Depreciation expense	<u>(457,085)</u>	186,002

2. 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:

Refunding bonds issued	(1,880,000)	
Premium on refunding bonds issued	(6,301)	
Deferred issuance costs	24,755	
Payments of debt principal	675,000	
Payments to refunded bond escrow agents	1,861,546	
Accrued interest payable	<u>11,265</u>	686,265

3. 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	(6,440)	
Amortization of deferred charges, premiums and discounts	(10,514)	
Amortization of debt issuance costs	(7,614)	
Change in inventory reserve	<u>(300)</u>	<u>(24,868)</u>

**Change in net assets of governmental activities** \$ 903,463

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2012

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 845,081
Other accounts receivable, net	1,959
Due from other funds	<u>87,988</u>
Total Assets	<u>\$ 935,028</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 692,942
Due to other funds	220,613
Due to student clubs	<u>21,473</u>
Total Liabilities	<u>\$ 935,028</u>

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

YAZOO CITY MUNICIPAL 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, Yazoo City since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Yazoo City Municipal 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.

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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.

Child nutrition fund – This fund is used to account for financial resources received and spent under the federal child nutrition program.

Limited Tax Note Fund – This fund accounts for financial resources to be used for retirement of the limited tax notes.

Bond Issue Retirement – This fund serves to account for funds from a bond that was issued for capital improvements.

MAEP Retirement – This fund serves to account for the debt service of the limited obligation bonds payable.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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

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

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

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

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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

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.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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:

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

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

7. Compensated Absences

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

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

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

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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2012

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

### 9. Fund Balances

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

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

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

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

*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 District's management pursuant to authorization established by the District's School Board.

*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 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 (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 (assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

### **Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents**

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.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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 \$2,656,979 and \$845,081, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2012, none of the district's bank balance of \$4,377,636 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 \$115,038.

**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	Limited tax note fund	\$ 254,242
	Bond issue retirement fund	303,582
	Other governmental funds	298,431
	Fiduciary funds	220,613
Limited tax note fund	Other governmental funds	67,360
Bond issue retirement fund	Other governmental funds	111,483
Other governmental funds	General fund	154,530
	Bond issue retirement fund	94,297
	Other governmental funds	79,720
Fiduciary funds	General fund	86,496
	Other governmental funds	<u>1,492</u>
Total		<u>\$ 1,672,246</u>

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end and other normal day to day operations.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 61,512
Other governmental funds	General Fund	121,208
	Limited tax note fund	64,395
	Bond issue retirement fund	25,000
	Other governmental funds	<u>285,497</u>
Total		<u>\$ 557,612</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds was a result of normal business operations.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$394,696, 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 balance, totaling \$186,882 and \$358,018, of the Limited Tax Note Fund and the Bond Issue Retirement Fund respectively.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$115,038, of the MAEP Retirement Fund.

YAZOO CITY MUNICIPAL 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
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 602,643	-	-	-	602,643
Total non-depreciable capital assets	602,643	-	-	-	602,643
<u>Depreciable capital assets:</u>					
Buildings	11,497,444	-	-	(1)	11,497,443
Improvements other than buildings	629,300	-	-	-	629,300
Mobile equipment	1,284,701	82,895	-	(14,500)	1,353,096
Furniture and equipment	623,792	560,192	-	(53,048)	1,130,936
Total depreciable capital assets	14,035,237	643,087	-	(67,549)	14,610,775
<u>Less accumulated depreciation for:</u>					
Buildings	8,657,747	184,048	-	(2)	8,841,793
Improvements other than buildings	295,305	21,199	-	(1)	316,503
Mobile equipment	973,113	140,710	-	(13,049)	1,100,774
Furniture and equipment	531,988	111,128	-	(36,550)	606,566
Total accumulated depreciation	10,458,153	457,085	-	(49,602)	10,865,636
Total depreciable capital assets, net	3,577,084	186,002	-	(17,947)	3,745,139
Governmental activities capital assets, net	\$ 4,179,727	\$ 186,002	-	\$ (17,947)	\$ 4,347,782

Adjustments were made in order to agree to subsidiary records.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 264,008
Support services	154,469
Non-instructional	38,608
Total depreciation expense - Governmental activities	\$ 457,085

YAZOO CITY MUNICIPAL 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				Balance	Amounts due
	7/1/2011	Additions	Reductions	Adjustments	6/30/2012	Within one year
A. General obligation bonds payable	\$ 3,480,000	-	(335,000)	-	3,145,000	360,000
B. Limited obligation bonds payable	1,820,000	60,000	(180,000)	-	1,700,000	265,000
C. Limited tax notes payable	905,000	-	(160,000)	-	745,000	170,000
D. Compensated absences payable	99,855	6,440	-	-	106,295	-
Total	6,304,855	66,440	(675,000)	-	5,696,295	795,000
Less deferred amounts on issues	(21,819)	(35,245)	10,514	(27,500)	(74,050)	(10,514)
Total - net	\$ 6,283,036	31,195	(664,486)	(27,500)	5,622,245	784,486

**A. General obligations bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2011	1.00%-3.25%	6/7/2011	9/1/2020	\$ 3,480,000	\$ 3,145,000
Total				\$ 3,480,000	\$ 3,145,000

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 360,000	\$ 71,212	\$ 431,212
2014	365,000	65,762	430,762
2015	375,000	58,362	433,362
2016	385,000	50,762	435,762
2017	390,000	42,037	432,037
2018-2021	1,270,000	59,309	1,329,309
Total	\$ 3,145,000	\$ 347,444	\$ 3,492,444

This debt will be retired from the Bond Issue Retirement Fund.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2012, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2011.

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Refunding Series 2011	2.00%	7/1/2011	2/1/2018	\$ 1,880,000	\$ 1,700,000
Total				<u>\$ 1,880,000</u>	<u>\$ 1,700,000</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 265,000	\$ 36,976	\$ 301,976
2014	275,000	31,676	306,676
2015	280,000	26,176	306,176
2016	285,000	20,576	305,576
2017	295,000	14,876	309,876
2018	300,000	7,500	307,500
Total	<u>\$1,700,000</u>	<u>\$ 137,780</u>	<u>\$1,837,780</u>

This debt will be retired from the MAEP Bond Issue Fund.

On July 1, 2011, the School District issued \$1,880,000 in limited obligation refunding bonds with an average interest rate of 2.00% to advance refund \$1,820,000, plus a \$6,301 premium on the issuance, of outstanding limited obligation bonds with an average rate of 4.50%. The net proceeds of \$1,861,546 after debt issuance costs of \$24,755 were used to redeem the outstanding limited obligation bonds, series 1998 in the amount of \$1,820,000.

As a result, those limited obligation bonds are considered defeased and the liability for those bonds has been removed from long-term liabilities.

The School District advance refunded the limited obligation bonds to reduce its total debt service payments over the remaining 7 years of the debt by approximately \$125,000 and to obtain an economic gain of approximately \$185,000.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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.

**C. Limited tax notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2001	4.4%-5.7%	3/1/2001	3/1/2016	\$ 1,925,000	\$ 745,000
Total				<u>\$ 1,925,000</u>	<u>\$ 745,000</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 170,000	\$ 32,780	\$ 202,780
2014	180,000	25,300	205,300
2015	190,000	17,380	207,380
2016	205,000	9,020	214,020
Total	<u>\$ 745,000</u>	<u>\$ 84,480</u>	<u>\$ 829,480</u>

This debt will be retired from the Limited Tax Note Fund.

**D. 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 Yazoo City Public School District defeased certain general obligation bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2012, \$3,125,000 of general obligation bonds payable are defeased.

**Note 8 – 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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

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 \$1,458,487, \$1,417,542 and \$1,538,073, respectively, which equaled the required contributions for each year.

**Note 9 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2013	\$ 32,000
Total	<u>\$ 32,000</u>

**Note 10 – Contingencies**

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

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

**Note 11 – Risk Management**

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

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 84 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers'

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2012

Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 12 - Prior Period Adjustments**

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. To adjust capital assets to subsidiary ledger	\$ (17,947)
2. To correct prior year premium on refunding bonds	27,500
3. To correct prior year debt issuance costs on refunding bonds	<u>(26,711)</u>
Total	\$ <u><u>(17,158)</u></u>

**Note 13 - Insurance loss recoveries**

The Yazoo City Municipal School District received \$5,860 in insurance loss recoveries related to storm damage during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenue.

**Note 14 - 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 Yazoo City Municipal School District evaluated the activity of the district through April 22, 2013 (the date the financial statements were available to be issued), and determined that no subsequent event have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**YAZOO CITY MUNICIPAL 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
<b>Revenues:</b>					
Local sources	\$ 2,036,962	\$ 2,080,209	\$ 1,928,094	\$ 43,247	\$ (152,115)
Intermediate sources	14,653	18,489	3,836	3,836	(14,653)
State sources	13,369,484	11,142,492	11,122,547	(2,226,992)	(19,945)
Federal sources	184,423	281,487	934,845	97,064	653,358
<b>Total Revenues</b>	<b>15,605,522</b>	<b>13,522,677</b>	<b>13,989,322</b>	<b>(2,082,845)</b>	<b>466,645</b>
<b>Expenditures:</b>					
Instruction	8,847,575	8,803,611	8,789,055	43,964	14,556
Support services	4,447,818	4,778,984	5,364,187	(331,166)	(585,203)
Noninstructional services	800	-	-	800	-
<b>Total Expenditures</b>	<b>13,296,193</b>	<b>13,582,595</b>	<b>14,153,242</b>	<b>(286,402)</b>	<b>(570,647)</b>
Excess (Deficiency) of Revenues over (under) Expenditures	2,309,329	(59,918)	(163,920)	(2,369,247)	(104,002)
<b>Other Financing Sources (Uses):</b>					
Other financing sources	-	-	2,376	-	2,376
Insurance recovery	-	5,860	5,860	5,860	-
Operating transfers in	162,158	197,682	121,208	35,524	(76,474)
Operating transfers out	(2,100,545)	(140,889)	(61,512)	1,959,656	79,377
<b>Total Other Financing Sources (Uses)</b>	<b>(1,938,387)</b>	<b>62,653</b>	<b>67,932</b>	<b>2,001,040</b>	<b>5,279</b>
<b>Net Change in Fund Balances</b>	<b>370,942</b>	<b>2,735</b>	<b>(95,988)</b>	<b>(368,207)</b>	<b>(98,723)</b>
<b>Fund Balances:</b>					
July 1, 2011	1,613,162	1,613,162	1,613,162	-	-
June 30, 2012	\$ 1,984,104	\$ 1,615,897	\$ 1,517,174	\$(368,207)	\$(98,723)

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Required Supplemental Information**

**Budgetary Comparison Schedule  
Child Nutrition Fund  
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 132,000	\$ 132,000	\$ 118,645	\$ -	(13,355)
State sources	17,000	17,000	16,891	-	(109)
Federal sources	1,626,836	1,626,386	1,654,172	(450)	27,786
Total Revenues	1,775,836	1,775,386	1,789,708	(450)	14,322
<b>Expenditures:</b>					
Support services	116,436	116,436	106,641	-	9,795
Noninstructional services	1,716,556	1,716,556	1,553,595	-	162,961
Total Expenditures	1,832,992	1,832,992	1,660,236	-	172,756
Excess (Deficiency) of Revenues over (under) Expenditures	(57,156)	(57,606)	129,472	(450)	187,078
Net Change in Fund Balances	(57,156)	(57,606)	129,472	(450)	187,078
Fund Balances:					
July 1, 2011	507,977	507,977	507,977	-	-
Decrease in reserve for inventory	(300)	(300)	(300)	-	-
June 30, 2012	\$ 450,521	\$ 450,071	\$ 637,149	(450)\$	187,078

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

(3) Budget Variances

Although there is a budget variance noted for the general fund, the District did not spend more than resources available and as such there is no state law violation.

SUPPLEMENTAL INFORMATION

**YAZOO CITY MUNICIPAL 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
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 469,139
National school lunch program	10.555	1,185,033
Total child nutrition cluster		<u>1,654,172</u>
Total passed-through Mississippi Department of Education		<u>1,654,172</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,654,172</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	70,415
<b>Total U.S. Department of Defense</b>		<u>70,415</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	714,785
<b>Total Federal Communications Commission</b>		<u>714,785</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	61,831
Safe and drug-free schools and communities, state grants	84.186	8,357
Twenty-first century communities learning centers	84.287	85,916
Reading first state grants	84.357	23,138
Rural education	84.358	59,598
Improving teacher quality state grants	84.367	376,649
School improvement grants	84.377	16,477
Educational technology state grants, Recovery Act	84.386	9,000
ARRA - Education for homeless children and youth, Recovery Act	84.387	6,677
Education jobs fund	84.410	18,936
Subtotal		<u>666,579</u>
Title I cluster:		
Title I - grants to local educational agencies	84.010	2,038,113
ARRA - Title I - grants to local educational agencies	84.389	107,293
Total Title I cluster		<u>2,145,406</u>
Special education cluster:		
Special education - grants to states	84.027	714,520
Special education - preschool grants	84.173	12,522
ARRA - Special education grants to states, Recovery Act	84.391	143,493
ARRA - Special education - preschool grants, Recovery Act	84.392	14,318
Total special education cluster		<u>884,853</u>
Total passed-through Mississippi Department of Education		<u>3,696,838</u>
<b>Total U.S. Department of Education</b>		<u>3,696,838</u>

**YAZOO CITY MUNICIPAL 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
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Health:		
Temporary assistance for needy families	93.558	<u>18,108</u>
Total passed-through Mississippi Department of Health		<u>18,108</u>
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	<u>149,645</u>
Total passed-through Mississippi Department of Education		<u>149,645</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>167,753</u>
<b>Total for All Federal Awards</b>		<u><u>\$ 6,303,963</u></u>

**NOTES TO SCHEDULE**

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

**For the Year Ended June 30, 2012**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 15,979,049	11,548,399	687,211	1,453,797	2,289,642
Other	5,547,053	2,581,776	361,860	14,067	2,589,350
<b>Total</b>	<b>\$ 21,526,102</b>	<b>14,130,175</b>	<b>1,049,071</b>	<b>1,467,864</b>	<b>4,878,992</b>
Total number of students *	2,294				
Cost per student	\$ 9,384	6,160	457	640	2,127

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 1,928,094	\$ 1,514,221	\$ 1,558,509	\$ 1,749,757
Intermediate sources	3,836	25,834	67,218	57,532
State sources	11,122,547	10,524,189	12,154,675	12,958,674
Federal sources	934,845	181,323	133,146	85,871
<b>Total Revenues</b>	<b>13,989,322</b>	<b>12,245,567</b>	<b>13,913,548</b>	<b>14,851,834</b>
<b>Expenditures:</b>				
Instruction	8,789,055	7,324,716	9,163,636	10,598,574
Support services	5,364,187	4,321,648	4,588,748	4,741,247
Noninstructional services	-	310	1,507	34,226
Debt service:				
Principal	-	-	-	60,294
Interest	-	-	-	835
<b>Total Expenditures</b>	<b>14,153,242</b>	<b>11,646,674</b>	<b>13,753,891</b>	<b>15,435,176</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(163,920)	598,893	159,657	(583,342)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	5,860	7,821	-	9,688
Other financing sources	2,376	15,710	1,796	-
Operating transfers in	121,208	128,058	432,482	267,295
Operating transfers out	(61,512)	(201,865)	(675,365)	(53,753)
<b>Total Other Financing Sources (Uses)</b>	<b>67,932</b>	<b>(50,276)</b>	<b>(241,087)</b>	<b>223,230</b>
<b>Net Change in Fund Balances</b>	<b>(95,988)</b>	<b>548,617</b>	<b>(81,430)</b>	<b>(360,112)</b>
<b>Fund Balances:</b>				
Beginning of period	1,613,162	1,064,545	1,145,975	1,506,087
End of Period	\$ 1,517,174	\$ 1,613,162	\$ 1,064,545	\$ 1,145,975

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 2,573,491	\$ 2,146,504	\$ 2,293,623	\$ 2,500,046
Intermediate	3,836	25,834	67,218	57,532
State sources	12,647,436	11,950,561	12,901,123	13,744,682
Federal sources	6,291,846	8,452,675	7,309,338	5,810,897
Sixteenth section sources	32,566	33,066	32,000	32,566
<b>Total Revenues</b>	<b>21,549,175</b>	<b>22,608,640</b>	<b>22,603,302</b>	<b>22,145,723</b>
<b>Expenditures:</b>				
Instruction	11,931,736	12,870,573	14,002,198	13,275,785
Support services	7,029,050	6,321,042	6,160,428	6,594,076
Noninstructional services	1,744,592	1,686,356	1,743,432	1,913,048
Debt service:				
Principal	675,000	625,000	595,000	674,182
Interest	114,272	316,391	342,564	321,285
Other	31,452	63,795	3,366	1,740
<b>Total Expenditures</b>	<b>21,526,102</b>	<b>21,883,157</b>	<b>22,846,988</b>	<b>22,780,116</b>
Excess (Deficiency) of Revenues over (under) Expenditures	23,073	725,483	(243,686)	(634,393)
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	1,880,000	3,480,000	-	-
Premium on refunding bonds issued	6,301	26,748	-	-
Insurance loss recoveries	5,860	7,821	-	9,688
Other financing sources	2,376	15,710	1,796	-
Operating transfers in	557,612	673,431	1,121,905	788,702
Operating transfers out	(557,612)	(673,431)	(1,121,905)	(788,702)
Other financing uses	-	(13,840)	-	-
Payment to refunded bond escrow agent	(1,861,546)	(3,443,567)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>32,991</b>	<b>72,872</b>	<b>1,796</b>	<b>9,688</b>
<b>Net Change in Fund Balances</b>	<b>56,064</b>	<b>798,355</b>	<b>(241,890)</b>	<b>(624,705)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	3,657,491	2,874,550	3,148,379	3,764,736
Prior period adjustments	-	-	(29,497)	(1,753)
Beginning of period, as restated	3,657,491	2,874,550	3,118,882	3,762,983
Increase (Decrease) in reserve for inventory	(300)	(15,414)	(2,442)	10,101
<b>End of Period</b>	<b>\$ 3,713,255</b>	<b>\$ 3,657,491</b>	<b>\$ 2,874,550</b>	<b>\$ 3,148,379</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

# CUNNINGHAM CPAs, PLLC

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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  
Yazoo City Municipal School District  
Yazoo City, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Yazoo City Municipal School District as of and for the year ended June 30, 2012, and have issued our report thereon dated April 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 Yazoo City Municipal School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Yazoo City Municipal School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yazoo City Municipal School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Yazoo City Municipal School District's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.  
[Findings 2012-01, 2012-02, 2012-03, and 2012-04.]

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yazoo City Municipal 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-5.

Yazoo City Municipal School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Yazoo City Municipal 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.



Cunningham CPAs, PLLC

April 22, 2013

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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  
Yazoo City Municipal School District  
Yazoo City, Mississippi

## **Compliance**

We have audited Yazoo City Municipal School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Yazoo City Municipal School District's major federal programs for the year ended June 30, 2012. Yazoo City Municipal 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 Yazoo City Municipal School District's management. Our responsibility is to express an opinion on Yazoo City Municipal 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 Yazoo City Municipal School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Yazoo City Municipal School District's compliance with those requirements.

In our opinion, Yazoo City Municipal School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2012-06 and 2012-07.

## **Internal Control Over Compliance**

Management of Yazoo City Municipal 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 Yazoo City Municipal 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 Yazoo City Municipal School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2012-06 and 2012-07 to be material weaknesses.

Yazoo City Municipal School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Yazoo City Municipal 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.



Cunningham CPAs, PLLC

April 22, 2013

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

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

Superintendent and School Board  
Yazoo City Municipal School District  
Yazoo City, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo City Municipal School District as of and for the year ended June 30, 2012, which collectively comprise Yazoo City Municipal School District's basic financial statements and have issued our report thereon dated April 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 \$15,595 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 instance of noncompliance described in Finding 2012-5 in the Schedule of Findings and Questioned Costs.

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

The Yazoo City Municipal 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.

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

April 22, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YAZOO CITY MUNICIPAL 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 on the financial statements: | Unqualified   |
| 2. | Internal control over financial reporting:                   |               |
|    | a. Material weakness(es) identified?                         | Yes           |
|    | b. Significant deficiency(ies) identified?                   | None reported |
| 3. | Noncompliance material to the financial statements noted?    | Yes           |

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | Yes           |
|    | b. Significant deficiency(ies) identified?   | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes           |
| 7. | Identification of major programs:  |               |
|    | A. Title I Cluster:  |               |
|    | CFDA #   | 84.010        |
|    | CFDA #   | 84.389        |
|    | B. The schools and libraries program of the universal service fund   |               |
|    | CFDA #   | 32.xxx        |
|    | C. Special Education Cluster:  |               |
|    | CFDA #   | 84.027        |
|    | CFDA #   | 84.173        |
|    | CFDA #   | 84.391        |
|    | CFDA #   | 84.392        |
|    | D. Child nutrition cluster:  |               |
|    | CFDA #   | 10.553        |
|    | CFDA #   | 10.555        |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000    |
| 9. | Auditee qualified as a low-risk auditee?   | No            |

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section II: Financial Statement Findings

Significant Deficiencies Considered to Be Material Weaknesses

2012-01      Controls Surrounding the Reporting of Long-Term Debt Activity

Finding

The district does not have procedures in place to ensure that all debt service activity is properly accounted for.

During our testing, we found that the transactions related to a limited obligation bond refunding were not properly recorded by the district.

An audit adjustment was proposed and made by management to properly record these transactions.

Recommendation

We recommend that the district put procedures in place to ensure that all transactions of the district are reflected within the financial statements.

2012-02      Controls Surrounding Capital Assets

Finding

The district has a weakness in controls surrounding the reporting of capital assets.

During our testing of capital assets, we found that the beginning balances on the capital asset subsidiary ledger did not agree with prior year data. In addition, we noted current year capital asset purchases that were not included as capital asset additions on the subsidiary ledger. Our testing indicated an overall weakness in recording, maintaining, and reporting capital assets.

An audit adjustment was proposed and made by management to properly record these transactions.

Recommendation

We recommend that the district take greater care in maintaining and preparing its capital asset subsidiary ledger. This includes ensuring all capital asset expenditures are properly reported. The district should also put procedures in place to ensure that all inventory items that exceed the capitalization thresholds are included in capital assets and are being depreciated over their estimated useful lives.

2012-03.      E-Rate Should Be Recorded on the District's Financial Statements

Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records which follow generally accepted accounting principles.

The school district did not properly record discounts provided from the Federal Communications

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Commission grants as administered through the Universal Service Administrative Company for the Schools and Libraries Program of the Universal Service Fund (E-Rate) on bills from their service providers as revenues and expenditures on the district's financial statements for the year ended June 30, 2012. This oversight caused both revenues and expenditures to be understated by \$653,358. An audit adjustment was proposed and made by management to properly record the revenues and expenditures. Generally accepted accounting principles were not followed in recording the revenues and expenditures of the E-rate grant.

Lack of adequate controls could result in the district's financial statements being materially misstated.

Recommendation

We recommend that when recording revenues and expenditures utilizing the E-Rate discount process, the district should record the expenditures in total with the related discount recorded as revenue. This will allow the actual cost of the purchase and the related revenue earned through the E-Rate grant to be accurately reflected in the district's financial statements.

2012-04. Donated Commodities Should Be Recorded on the District's Financial Statements

Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records which follow generally accepted accounting principles.

The school district did not properly record donated commodities received from the U.S. Department of Agriculture related to the Child Nutrition program as revenues and expenditures on the district's financial statements for the year ended June 30, 2012. This oversight caused both revenues and expenditures to be understated by \$97,743. An audit adjustment was proposed and made by management to properly record the revenues and expenditures. Generally accepted accounting principles were not followed in recording the revenues and expenditures of the donated commodities.

Lack of adequate controls could result in the district's financial statements being materially misstated.

Recommendation

We recommend that the district properly record the donated commodities as revenues and expenditures in its financial statements.

Material Noncompliance with State Laws and Regulations

2012-05 Ad Valorem Tax Escrow

Finding

Section 37-57-107, Miss. Code Ann. (1972), states that, if total ad valorem and exceed the amount allowable, the school district must place the excess in escrow.

During our testing of limitations on ad valorem taxes, we noted that the district receipted more ad valorem and homestead receipts than was allowable for the fiscal year. The excess amount of \$166,127 should have been escrowed by the district. An audit adjustment was proposed and made by management to properly record this escrow.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Recommendation

We recommend that the district comply with Sections 37-57-105, 37-57-107 and 27-39-207, Miss. Code Ann. (1972), and reduce its homestead and ad valorem request for the next fiscal year by \$166,127.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies Considered to Be Material Weaknesses

2012-06. E-Rate Should Be Recorded on the District's Schedule of Expenditures of Federal Awards

Program: The School and Libraries Program of the Universal  
CFDA # 32.xxx

Compliance Requirement: Reporting

Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records which follow generally accepted accounting principles.

The school district did not properly report discounts provided from the Federal Communications Commission grants as administered through the Universal Service Administrative Company for the Schools and Libraries Program of the Universal Service Fund (E-Rate) on the district's Schedule of Expenditures of Federal Awards for the year ended June 30, 2012. This oversight caused the Schedule of Expenditures of Federal Awards to be understated by \$653,358. An audit adjustment was proposed and made by management to properly record the expenditures.

Lack of adequate controls could result in the district's Schedule of Expenditures of Federal Awards being materially misstated.

Recommendation

We recommend that all expenditures related to federal awards be properly tracked and reported on the Schedule of Expenditures of Federal Awards.

2012-07. Donated Commodities Should Be Recorded on the District's Schedule of Expenditures of Federal Awards

Program: National School Lunch Program, CFDA # 10.555

Compliance Requirement: Reporting

Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records which follow generally accepted accounting principles.

The school district did not properly record donated commodities received from the U.S. Department of Agriculture related to the Child Nutrition program as expenditures on

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

the district's Schedule of Expenditures of Federal Awards for the year ended June 30, 2012. This oversight caused the Schedule of Expenditures of Federal Awards to be understated by \$97,743. An audit adjustment was proposed and made by management to properly record the expenditures.

Lack of adequate controls could result in the district's Schedule of Expenditures of Federal Awards being materially misstated.

Recommendation

We recommend that all expenditures related to federal awards be properly tracked and reported on the Schedule of Expenditures of Federal Awards.

## YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315(c) of OMB Circular A-133, the Yazoo City Municipal School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2012-01	<p>a. Name of Contact Person Responsible for Corrective Action: Bernita Washington, Business Manager, 662-746-2125</p> <p>b. Corrective Action Planned: We will put controls in place to ensure that the district properly reflects all debt service transactions.</p> <p>c. Anticipated Completion Date: Immediately.</p>
2012-02	<p>a. Name of Contact Person Responsible for Corrective Action: Annette Hall, Fixed Asset Manager, 662-746-2125</p> <p>b. Corrective Action Planned: All assets were identified however there were discrepancies with prior year data. We have upgraded our assets inventory software and will receive in depth training to ensure the district's capital asset subsidiary ledger is accurate and includes all the appropriate current year transactions.</p> <p>c. Anticipated Completion Date: Immediately.</p>
2012-03	<p>a. Name of Contact Person Responsible for Corrective Action: Bernita Washington, Business Manager, 662-746-2125</p> <p>b. Corrective Action Planned: When recording discounts provided from the Federal Communications Commission grant we no longer record the revenues and expenditures at the 10% received. We will record the revenues and expenditures at 100%. Then apply the discounts to ensure all transactions are reflected properly within the financial statements.</p> <p>c. Anticipated Completion Date: Immediately.</p>

- 2012-04
- a. Name of Contact Person Responsible for Corrective Action:  
Letitia Johnson, Assistant Business Manager, 662-746-2125
  - b. Corrective Action Planned:  
A checklist will be put in place as a reminder to record donated commodities as revenues and expenditures in the financial statements.
  - c. Anticipated Completion Date:  
Immediately.
- 2012-05
- a. Name of Contact Person Responsible for Corrective Action:  
Bernita Washington, Business Manager, 662-746-2125
  - b. Corrective Action Planned:  
When completing the ad valorem worksheet the district will escrow any excess receipts received during the fiscal year. The district will comply with Sections 37-57-105, 37-57-107 and 27-39-207, Miss. Code Ann. (1972), and will reduce our homestead and ad valorem request for the next fiscal year by \$166,127.
  - c. Anticipated Completion Date:  
Immediately.
- 2012-06
- a. Name of Contact Person Responsible for Corrective Action:  
Bernita Washington, Business Manager, 662-746-2125
  - d. Corrective Action Planned:  
We will put procedures in place to ensure the expenditures from federal awards by the district are properly reflected within its Schedule of Expenditures of Federal Awards.
  - e. Anticipated Completion Date:  
Immediately.
- 2012-07
- a. Name of Contact Person Responsible for Corrective Action:  
Letitia Johnson, Assistant Business Manager, 662-746-2125
  - d. Corrective Action Planned:  
A checklist will be put in place as a reminder to record donated commodities as revenues and expenditures to ensure the expenditures from federal awards by the district are properly reflected within its Schedule of Expenditures of Federal Awards.
  - e. Anticipated Completion Date:  
Immediately.