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AMORY SEPARATE SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2011

AMORY SEPARATE SCHOOL DISTRICT

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AMORY SEPARATE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants
Registered with Public Company Accounting Oversight Board
American Institute of Certified Public Accountants
Member of Center for Public Company Audit Firms
Member of Employee Benefit Plan Audit Quality Center
Member of Governmental Audit Quality Center
Private Companies Practice Section

INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Amory Separate School District



We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Amory Separate School District as of and for the year ended June 30, 2011, which collectively comprise the Amory Separate School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Amory Separate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above 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 Amory Separate School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Superintendent and School Board
Amory Separate School District

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2012, on our consideration of the Amory Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 Amory Separate School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Amory Separate School District's basic financial statements. The other information section, which includes the Statements of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statements 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.



Columbus, Mississippi
March 6, 2012

AMORY SEPARATE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The discussion and analysis of Amory Separate School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 decreased \$370,076, which represents a 10% decrease from fiscal year 2010. Total net assets for 2010 decreased \$547,990, including a prior period adjustment of \$(70,000), which represents a 13% decrease from fiscal year 2009.
- General revenues amounted to \$11,390,034 and \$11,367,334, or 76% and 78% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,614,687, or 24% of total revenues for 2011, and \$3,161,593, or 22% of total revenues for 2010.
- The District had \$15,374,797 and \$15,006,917 in expenses for fiscal years 2011 and 2010; only \$3,614,687 for 2011 and \$3,161,593 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$11,390,034 for 2011 and \$11,367,334 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$10,074,364 in revenues and \$10,248,902 in expenditures for 2011, and \$9,905,373 in revenues and \$10,590,591 in expenditures in 2010. The General Fund's fund balance decreased by \$249,104 from 2010 to 2011, and decreased by \$719,573 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$1,294,130 for 2011 and increased by \$258,739 for 2010. The increase for 2011 was due to the facility addition and improvement.
- Long-term debt increased by \$2,607,699 for 2011 and increased by \$374,795 for 2010. This increase for 2011 was due primarily to the issuance of qualified school construction bonds. The liability for compensated absences decreased by \$7,301 for 2011 and increased by \$4,795 for 2010.

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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.

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's 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 fund's Balance Sheet and in the governmental fund's 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. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 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 Statements 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, are 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 government's financial position. In the case of the District, assets exceeded liabilities by \$3,392,200 as of June 30, 2011.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 3,646,576	\$ 4,313,121	(15.5%)
Restricted assets	1,951,049	-	N/A
Capital assets, net	4,492,779	3,198,649	40.5%
Total assets	10,090,404	7,511,770	34.3%
Current liabilities	966,626	625,615	54.5%
Long-term debt outstanding	5,731,578	3,123,879	83.5%
Total liabilities	6,698,204	3,749,494	78.6%
Net assets:			
Invested in capital assets, net related debt	556,776	173,649	220.6%
Restricted	920,380	1,431,776	(35.7%)
Unrestricted	1,915,044	2,156,851	(11.2%)
Total net assets	\$ 3,392,200	\$ 3,762,276	(9.8%)

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 \$1,294,130 was primarily related to the facility improvements.
- The increase in current liabilities of \$341,011 was principally due to an increase in accounts payable related to construction in progress.
- Long-term debt increased \$2,607,699 due to the proceeds from a qualified school construction bond in the amount of \$3,000,000. In addition, the District made principal payments in the amount of \$385,000 on the Limited Obligation Bonds.
- Increase in restricted assets is related to QSLB Bond proceeds not used during the year by the District.

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$15,004,721 and \$14,528,927, respectively. The total cost of all programs and services was \$15,374,797 for 2011 and \$15,006,917 for 2010. Table 2 presents a summary of the changes in net assets for the fiscal year ended June 30, 2011, when compared to the fiscal year ended June 30, 2010.

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 552,033	\$ 603,905	(8.6%)
Operating grants and contributions	3,062,654	2,557,688	19.7%
General revenues:			
Property taxes	2,537,197	2,385,025	6.4%
Grants and contributions not restricted	8,356,097	8,535,612	(2.1%)
Investment earnings	6,739	8,639	(22.0%)
Sixteenth Section sources	3,616	4,085	(11.5%)
Other	486,385	433,973	12.1%
Total revenues	<u>15,004,721</u>	<u>14,528,927</u>	3.3%
Expenses:			
Instruction	8,189,673	8,669,865	(5.5%)
Support services	5,767,247	5,032,494	14.6%
Non-instructional	1,323,639	1,243,976	6.4%
Interest and other expenses on long-term debt	94,238	60,582	55.6%
Total expenses	<u>15,374,797</u>	<u>15,006,917</u>	2.5%
Decrease in net assets	<u>(370,076)</u>	<u>(477,990)</u>	(22.6%)
Net Assets, July 1, as originally reported	3,762,276	4,310,266	(12.7%)
Prior period adjustment	-	(70,000)	100.0%
Net Assets, July 1, as restated	<u>3,762,276</u>	<u>4,240,266</u>	(11.3%)
Net Assets, June 30	<u>\$ 3,392,200</u>	<u>\$ 3,762,276</u>	(9.8%)

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State's and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 8,189,673	\$ 8,669,865	(5.5%)
Support services	5,767,247	5,032,494	14.6%
Non-instructional	1,323,639	1,243,976	6.4%
Interest on long-term liabilities	<u>94,238</u>	<u>60,582</u>	55.6%
Total expenses	<u>\$ 15,374,797</u>	<u>\$ 15,006,917</u>	2.5%
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (6,717,762)	\$ (7,351,946)	(8.6%)
Support services	(4,741,141)	(4,369,572)	8.5%
Non-instructional	(206,969)	(63,224)	227.3%
Interest on long-term liabilities	<u>(94,238)</u>	<u>(60,582)</u>	55.6%
Total net (expense) revenue	<u>\$ (11,760,110)</u>	<u>\$ (11,845,324)</u>	(.7%)

- Net cost of governmental activities (\$11,760,110 for 2011 and \$11,845,324 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,537,197 for 2011 and \$2,385,025 for 2010) and state and federal revenues (\$8,356,097 for 2011 and \$8,535,612 for 2010). In addition, there was \$3,616 and \$4,085 in Sixteenth Section revenue sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$6,739 for 2011 and \$8,639 for 2010.

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved 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 \$4,669,873, an increase of \$952,697, including an increase in inventory of \$8,506. \$1,940,628 or 42% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,729,245 or 58% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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 \$249,105. The fund balance of Other Governmental Funds showed an increase in the amount of \$64,133 and an increase in reserve for inventory of \$8,506 due primarily to reflect inventory to actual. The other increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Local Construction Fund	\$ (566,326)
QSCB Fund	1,703,995

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 is provided in this report as required supplemental information.

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$13,503,971, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$1,381,117 from 2010. Total accumulated depreciation as of June 30, 2011, was \$9,011,192, and total depreciation expense for the year was \$146,388, resulting in total net capital assets of \$4,492,779.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 79,885	\$ 79,885	-
Construction in progress	1,240,052	-	N/A
Buildings	2,792,180	2,848,103	(2.0%)
Improvements other than buildings	10,997	14,909	(26.2%)
Mobile equipment	193,369	202,500	(4.5%)
Furniture and equipment	<u>176,296</u>	<u>53,252</u>	231.1%
Total	<u>\$ 4,492,779</u>	<u>\$ 3,198,649</u>	40.5%

Additional information on the District's capital assets can be found in Note 4 included in this report.

AMORY SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Debt Administration. At June 30, 2011, the District had \$5,731,578 in outstanding long-term debt, of which \$400,000 is due within one year. The liability for compensated absences decreased \$7,301 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,640,000	\$ 3,025,000	(12.7%)
Qualified school construction bonds	3,000,000	-	N/A
Compensated absences payable	<u>91,578</u>	<u>98,879</u>	(7.4%)
Total	<u>\$ 5,731,578</u>	<u>\$ 3,123,879</u>	83.5%

Additional information on the District's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

The Amory Separate School District is financially stable. The District is proud of its community's support of the public schools.

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

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

Enrollment for the 2010-2011 year increased by 4% to 1,839 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Amory Separate School District, P. O. Box 330, Amory, MS 38821.

AMORY SEPARATE SCHOOL DISTRICT

FINANCIAL STATEMENTS

AMORY SEPARATE SCHOOL DISTRICT

EXHIBIT A

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Notes 1-G and 2)	\$ 3,024,300
Cash with fiscal agents (Note 2)	198,499
Due from other governments (Note 1-G)	389,952
Inventories (Note 1-G)	33,825
Restricted assets (Note 4)	1,951,049
Capital assets, non-depreciable (Notes 1-G and 5):	
Land	79,885
Construction in progress	1,240,052
Capital assets, net of accumulated depreciation:	
Buildings	2,792,180
Improvements other than buildings	10,997
Mobile equipment	193,369
Furniture and equipment	176,296
Total Assets	<u>10,090,404</u>
LIABILITIES	
Accounts payable and accrued liabilities	906,526
Unearned revenue	21,226
Interest payable on long-term liabilities	38,874
Long-term liabilities, due within one year (Notes 1-G and 6):	
Capital related liabilities	400,000
Long-term liabilities, due beyond one year (Notes 1-G and 6):	
Capital related liabilities	5,240,000
Non-capital related liabilities	91,578
Total Liabilities	<u>6,698,204</u>
NET ASSETS	
Invested in capital assets, net of related debt	556,776
Restricted net assets:	
Expendable:	
School-based activities	205,705
Debt service	263,711
Capital improvements	407,964
Unemployment benefits	43,000
Unrestricted	1,915,044
Total Net Assets	<u>\$ 3,392,200</u>

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

AMORY SEPARATE SCHOOL DISTRICT

EXHIBIT B

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					
Instruction	\$ 8,189,673	\$ 193,783	\$ 1,278,128	\$ -	\$ (6,717,762)
Support services	5,767,247	-	1,026,106	-	(4,741,141)
Non-instructional	1,323,639	358,250	758,420	-	(206,969)
Interest and other expenses on long-term liabilities	94,238	-	-	-	(94,238)
Total Governmental Activities	<u>\$ 15,374,797</u>	<u>\$ 552,033</u>	<u>\$ 3,062,654</u>	<u>\$ -</u>	<u>(11,760,110)</u>
General Revenues:					
Taxes:					
					1,890,841
					494,811
					151,545
Unrestricted grants and contributions:					
					7,757,016
					599,081
					6,739
					3,616
					486,385
					<u>11,390,034</u>
					Change in Net Assets (370,076)
					Net Assets - Beginning <u>3,762,276</u>
					Net Assets - Ending <u>\$ 3,392,200</u>

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

AMORY SEPARATE SCHOOL DISTRICT

EXHIBIT C

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Local Construction Fund	QSCB Fund		
ASSETS					
Cash and cash equivalents (Notes 1-G and 2)	\$ 2,280,805	\$ 439,964	\$ 1,951,049	\$ 303,531	\$ 4,975,349
Cash with fiscal agents (Note 2)	-	-	-	198,499	198,499
Due from other governments (Note 1-G)	179,999	-	-	209,953	389,952
Due from other funds (Note 3-A)	44,114	-	-	-	44,114
Inventories (Note 1-G)	-	-	-	33,825	33,825
Total Assets	\$ 2,504,918	\$ 439,964	\$ 1,951,049	\$ 745,808	\$ 5,641,739
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 498,293	\$ 32,000	\$ 247,054	\$ 129,179	\$ 906,526
Due to other funds (Note 3-A)	-	-	-	44,114	44,114
Unearned revenue	-	-	-	21,226	21,226
Total liabilities	498,293	32,000	247,054	194,519	971,866
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	33,826	33,826
Advances	-	-	-	43,000	43,000
Prepaid Items	-	-	-	26,689	26,689
Restricted:					
Capital projects	-	407,964	1,268,681	-	1,676,645
Debt service	-	-	-	302,585	302,585
Assigned:					
Capital improvements	-	-	435,314	-	435,314
Other purposes	65,997	-	-	145,190	211,187
Unassigned:	1,940,627	-	-	-	1,940,627
Total fund balances	2,006,624	407,964	1,703,995	551,290	4,669,873
Total Liabilities and Fund Balances	\$ 2,504,917	\$ 439,964	\$ 1,951,049	\$ 745,809	\$ 5,641,739

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

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2011

	Amount
Total Fund Balances - Governmental Funds	\$ 4,669,873
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$9,011,192 (Note 5).	4,492,779
2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds (Note 6).	(5,731,578)
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues.	(38,874)
Total Net Assets - Governmental Activities	\$ 3,392,200

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Local Construction Fund	QSCB Fund		
REVENUES					
Local sources	\$ 2,417,237	\$ -	\$ -	\$ 713,601	\$ 3,130,838
Intermediate sources	500	-	-	-	500
State sources	7,359,520	-	-	1,163,057	8,522,577
Federal sources	297,107	-	-	3,048,684	3,345,791
Sixteenth Section sources	-	-	-	3,616	3,616
Total Revenues	<u>10,074,364</u>	<u>-</u>	<u>-</u>	<u>4,928,958</u>	<u>15,003,322</u>
EXPENDITURES					
Instruction	5,840,903	22,928	-	2,367,583	8,231,414
Support services	4,335,496	543,398	-	915,667	5,794,561
Noninstructional services	72,504	-	-	1,201,578	1,274,082
Facilities acquisition and construction	-	-	1,296,005	-	1,296,005
Debt service:					
Principal	-	-	-	385,000	385,000
Interest	-	-	-	85,034	85,034
Other	-	-	-	1,035	1,035
Total Expenditures	<u>10,248,903</u>	<u>566,326</u>	<u>1,296,005</u>	<u>4,955,897</u>	<u>17,067,131</u>
Deficiency of Revenues under Expenditures	<u>(174,539)</u>	<u>(566,326)</u>	<u>(1,296,005)</u>	<u>(26,939)</u>	<u>(2,063,809)</u>

(Continued)

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Local Construction Fund	QSCB Fund		
Deficiency of Revenues under Expenditures (brought forward)	\$ (174,539)	\$ (566,326)	\$ (1,296,005)	\$ (26,939)	\$ (2,063,809)
OTHER FINANCING SOURCES (USES)					
Proceeds of loans (Note 6)	-	-	3,000,000	-	3,000,000
Sale of other property	8,000	-	-	-	8,000
Operating transfers in (Note 3-B)	4,085	-	-	86,651	90,736
Operating transfers out (Note 3-B)	(86,651)	-	-	(4,085)	(90,736)
Total Other Financing Sources (Uses)	(74,566)	-	3,000,000	82,566	3,008,000
Net Change in Fund Balances	(249,105)	(566,326)	1,703,995	55,627	944,191
Fund Balances:					
July 1, 2010	2,255,730	974,290	-	487,156	3,717,176
Increase in reserve for inventory	-	-	-	8,506	8,506
June 30, 2011	\$ 2,006,625	\$ 407,964	\$ 1,703,995	\$ 551,289	\$ 4,669,873

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 944,191
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,447,118 and the depreciation expense amounted to \$146,388. Retirements amounted to \$6,600 (Note 5).	1,294,130
2. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets (Note 6).	385,000
3. The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets (Note 6).	(3,000,000)
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(9,205)
5. An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are increased in the Statement of Activities.	8,506
6. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	7,302
Change in Net Assets of Governmental Activities	\$ (370,076)

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

AMORY SEPARATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2011

EXHIBIT E

	<u>Agency Funds</u>
<i>ASSETS</i>	
Cash and cash equivalents (Notes 1-G and 2)	\$ 14,680
Total Assets	<u>\$ 14,680</u>
<i>LIABILITIES</i>	
Due to student clubs	\$ 14,680
Total Liabilities	<u>\$ 14,680</u>

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

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the School District is considered an "other stand-alone government." The School District is a related organization of, but not a component unit of, the city of Amory 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, Amory Separate 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.

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements (Continued)

The School District reports the following major governmental funds:

General Fund - This is the School District's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Local Construction Funds - Local Construction Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

QSCB Fund - This capital projects fund is used to account for the expenditures associated with construction projects and is financed with the proceeds of a bond issue.

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 two agency funds which are used to report Club funds of the District.

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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.

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.

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

E. Account Classifications

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.

F. Encumbrances

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

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Assets or Equity

1. *Cash, Cash Equivalents and Investments*

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The School District deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

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.

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Assets or Equity (Continued)

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.

6. *Capital Assets*

Capital assets include land, buildings, building improvements, vehicles, machinery, equipment, 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.

AMORY SEPARATE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Assets or Equity (Continued)

6. *Capital Assets* (Continued)

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:

	Capitalization Policy	Estimated Useful Life
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

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.

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Assets or Equity (Continued)

8. *Long-term Liabilities*

In the government-wide, financial statements, outstanding debt is reported as a liability.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

9. *Fund Balances*

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

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

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

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

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Assets or Equity (Continued)

9. *Fund Balances* (Continued)

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

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

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

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(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.

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,975,349 and \$14,680, respectively. The bank balance was \$5,424,160.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2011, none of the District's bank balance of \$5,424,160 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the School District's cash with fiscal agents held by financial institutions was \$198,499.

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(3) INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Pavable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ <u>44,114</u>

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 86,651
Other governmental funds	General Fund	<u>4,085</u>
Total		<u>\$ 90,736</u>

(4) RESTRICTED ASSETS

In addition, the restricted assets represent the cash balance, totaling \$1,951,049 of the QSCB Bond Retirement Fund.

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(5) CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2011</u>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 79,885	\$ -	\$ -	\$ 79,885
Construction in progress	<u>-</u>	<u>1,240,052</u>	<u>-</u>	<u>1,240,052</u>
Total non-depreciable capital assets	<u>79,885</u>	<u>1,240,052</u>	<u>-</u>	<u>1,319,937</u>
<u>Depreciable capital assets:</u>				
Buildings	10,804,623	-	-	10,804,623
Improvements other than buildings	71,214	-	-	71,214
Mobile equipment	1,059,086	59,955	66,001	1,053,040
Furniture and equipment	<u>108,046</u>	<u>147,111</u>	<u>-</u>	<u>255,157</u>
Total depreciable capital assets	<u>12,042,969</u>	<u>207,066</u>	<u>66,001</u>	<u>12,184,034</u>
<u>Less accumulated depreciation for:</u>				
Buildings	7,956,520	55,923	-	8,012,443
Improvements other than buildings	56,305	3,912	-	60,217
Mobile equipment	856,586	62,486	59,401	859,671
Furniture and equipment	<u>54,794</u>	<u>24,067</u>	<u>-</u>	<u>78,861</u>
Total accumulated depreciation	<u>8,924,205</u>	<u>146,388</u>	<u>59,401</u>	<u>9,011,192</u>
Total depreciable capital assets, net	<u>3,118,764</u>	<u>60,678</u>	<u>6,600</u>	<u>3,172,842</u>
Total Capital Assets, Net	<u>\$ 3,198,649</u>	<u>\$ 1,300,730</u>	<u>\$ 6,600</u>	<u>\$ 4,492,779</u>

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(5) CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 12,714
Support services	132,598
Non-instructional	1,076
Total Depreciation Expense	\$ 146,388

Construction in progress is comprised of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Vocational Center roofing	\$ 176,970	\$ 26,677
High School HVAC replacement	181,500	28,295
East Amory Elementary addition and ceiling	405,515	640,332
West Amory Elementary addition	262,079	513,377
Various small projects	213,988	-
Total governmental activities	\$ 1,240,052	\$ 1,208,681

Construction projects included in governmental activities are funded with proceeds from Qualified School Construction Bonds.

(6) LONG-TERM LIABILITIES

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts Due Within One Year
A. Limited obligation bonds payable	\$ 3,025,200	\$ -	\$ 385,000	\$2,640,000	\$ 400,000
B. Qualified school construction bonds payable	-	3,000,000	-	3,000,000	-
C. Compensated absences payable	98,879	-	7,301	91,578	-
Total	\$ 3,123,879	\$ 3,000,000	\$ 392,301	\$5,731,578	\$ 400,000

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(6) LONG-TERM LIABILITIES (Continued)

A. Limited Obligation Bonds Payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. State Aid Capital Improvement Series 2008	4.41%	2/27/08	2/01/17	\$ 2,235,000	\$ 1,840,000
2. Limited Tax Wave Series Bond	2.35%	5/18/10	5/18/16	<u>985,000</u>	<u>800,000</u>
Total				<u>\$ 3,220,000</u>	<u>\$ 2,640,000</u>

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

1. Limited obligation bond issue of 2008:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 210,000	\$ 55,638	\$ 265,638
2013	220,000	49,188	269,188
2014	220,000	42,588	262,588
2015	230,000	35,838	265,838
2016	240,000	28,488	268,488
2017	<u>720,000</u>	<u>32,858</u>	<u>752,858</u>
	<u>\$ 1,840,000</u>	<u>\$ 244,598</u>	<u>\$ 2,084,598</u>

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(6) LONG-TERM LIABILITIES (Continued)

A. Limited Obligation Bonds Payable (Continued)

2. Limited obligation bond issue of 2010:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 190,000	\$ 18,880	\$ 208,880
2013	195,000	14,396	209,396
2014	135,000	9,794	144,794
2015	140,000	6,608	146,608
2016	<u>140,000</u>	<u>3,304</u>	<u>143,304</u>
	<u>\$ 800,000</u>	<u>\$ 52,982</u>	<u>\$ 852,982</u>

Total limited obligation bonds payments for all issues:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 400,000	\$ 74,518	\$ 474,518
2013	415,000	63,584	478,584
2014	355,000	52,382	407,382
2015	370,000	42,446	412,446
2016	380,000	31,792	411,792
2017	<u>720,000</u>	<u>32,858</u>	<u>752,858</u>
	<u>\$ 2,640,000</u>	<u>\$ 297,580</u>	<u>\$ 2,937,580</u>

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

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(6) LONG-TERM LIABILITIES (Continued)

B. Qualified School Construction Bonds Payable

As more fully explained in Note 9, debt has been issued by the School District that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified School Construction Bonds	5.65%	10/22/10	8/01/25	\$ <u>3,000,000</u>	\$ <u>3,000,000</u>

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

C. Compensated Absences Payable

As more fully explained in Note 1(G)(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 are paid.

(7) PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the Amory School District defeased certain limited obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2011, \$1,805,000 of bonds outstanding are defeased.

(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 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.

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(8) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011, was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The School District's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009, were \$973,453, \$1,009,071 and \$970,218, respectively, which equaled the required contributions for each year.

(9) RISK MANAGEMENT

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

Participation in Public Entity Risk Pool

The School District is a member of the Mississippi School Board's Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

(10) QUALIFIED SCHOOL CONSTRUCTION BONDS

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

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(10) QUALIFIED SCHOOL CONSTRUCTION BONDS (Continued)

The School District makes annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011, was \$ -0- . The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

The following schedule reports the annual deposits to be made to the sinking fund for principal and annual interest to be paid to bond holder by the School District.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 100,000	\$ 14,648	\$ 114,648
2013	150,000	18,270	168,270
2014	200,000	17,325	217,325
2015	200,000	16,065	216,065
2016	208,000	14,805	222,805
2017 - 2021	1,050,000	54,245	1,104,245
2022 - 2025	<u>1,092,000</u>	<u>20,702</u>	<u>1,112,702</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 156,060</u>	<u>\$ 3,156,060</u>

(11) SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Amory Separate School District evaluated the activity of the District through March 6, 2012, the date the financial statements were available to be issued, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

AMORY SEPARATE SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

**AMORY SEPARATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 2,266,340	\$ 2,266,340	\$ 2,417,237	\$ -	\$ 150,897
Intermediate sources	-	-	500	-	500
State sources	8,250,519	8,250,519	7,359,520	-	(890,999)
Federal sources	236,000	236,000	297,107	-	61,107
Total Revenues	<u>10,752,859</u>	<u>10,752,859</u>	<u>10,074,364</u>	<u>-</u>	<u>(678,495)</u>
EXPENDITURES					
Instruction	6,620,313	6,620,313	5,840,903	-	779,410
Support services	3,873,050	3,873,050	4,335,496	-	(462,446)
Noninstructional services	163,500	163,500	72,504	-	90,996
Total Expenditures	<u>10,656,863</u>	<u>10,656,863</u>	<u>10,248,903</u>	<u>-</u>	<u>407,960</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>95,996</u>	<u>95,996</u>	<u>(174,539)</u>	<u>-</u>	<u>(270,535)</u>
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries	2,000	2,000	-	-	(2,000)
Sale of transportation equipment	2,000	2,000	-	-	(2,000)
Sale of other property	1,000	1,000	8,000	-	7,000
Operating transfers in	5,255	5,255	4,085	-	(1,170)
Operating transfers out	(7,000)	(7,000)	(86,651)	-	(79,651)
Total Other Financing Sources (Uses)	<u>3,255</u>	<u>3,255</u>	<u>(74,566)</u>	<u>-</u>	<u>(77,821)</u>
Net Change in Fund Balances	99,251	99,251	(249,105)	-	(348,356)
Fund Balances:					
July 1, 2010	<u>2,145,531</u>	<u>2,145,531</u>	<u>2,255,730</u>	<u>-</u>	<u>110,199</u>
June 30, 2011	<u>\$ 2,244,782</u>	<u>\$ 2,244,782</u>	<u>\$ 2,006,625</u>	<u>\$ -</u>	<u>\$ (238,157)</u>

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

AMORY SEPARATE SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents 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 consistent with accounting principles generally accepted in the United States of America.

AMORY SEPARATE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

AMORY SEPARATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Federal Expenditures (\$)</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 186,180
National school lunch program	10.555	561,086
Total child nutrition cluster		<u>747,266</u>
Total passed-through Mississippi Department of Education		<u>747,266</u>
Total U.S. Department of Agriculture		<u>747,266</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	95,952
Total Federal Communications Commission		<u>95,952</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Impact Aid	84.041	49,610
Career and technical education - basic grants to states	84.048	17,668
Safe and drug-free schools and communities - national programs	84.184	75,743
Safe and drug-free schools and communities - state grants	84.186	188
Twenty-first century community learning centers	84.287	39,505
Education technology state grants	84.318	4,143
Reading first state grants	84.357	6,379
Rural education	84.358	111,145
Improving teacher quality - state grants	84.367	91,123
Federal education jobs grant	84.410	384,943
Subtotal		<u>780,447</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	423,571
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	55,290
Total Title I cluster		<u>478,861</u>

AMORY SEPARATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures (\$)
U.S. Department of Education (Continued)		
Passed-through Mississippi Department of Education (Continued):		
Special education cluster:		
Special education - grants to states	84.027	\$ 367,750
Special education - preschool grants	84.173	32,682
ARRA - Special education grants to states, Recovery Act	84.391	164,866
ARRA - Special education - preschool grants, Recovery Act	84.392	<u>11,135</u>
Total special education cluster		<u>576,433</u>
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	<u>515,499</u>
Total State Fiscal Stabilization Fund cluster		<u>515,499</u>
Total passed-through Mississippi Department of Education		<u>2,351,240</u>
Total U.S. Department of Education		<u>2,351,240</u>
Total for All Federal Awards		<u>\$ 3,194,458</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.

AMORY SEPARATE SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES -
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2011

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,213,054	\$ 8,354,160	\$ 107,159	\$ 1,236,576	\$ 1,515,159
Other	<u>5,854,077</u>	<u>1,236,432</u>	<u>26,622</u>	<u>273,622</u>	<u>4,317,401</u>
 Total	 <u>\$ 17,067,131</u>	 <u>\$ 9,590,592</u>	 <u>\$ 133,781</u>	 <u>\$ 1,510,198</u>	 <u>\$ 5,832,560</u>
 Total number of students	 <u>1,839</u>				
 Cost per student	 <u>\$ 9,281</u>	 <u>\$ 5,215</u>	 <u>\$ 73</u>	 <u>\$ 821</u>	 <u>\$ 3,172</u>

NOTES TO SCHEDULE

1. 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.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administrative Categories.

AMORY SEPARATE SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

AMORY SEPARATE SCHOOL DISTRICT

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(UNAUDITED)**

GENERAL FUND

LAST FOUR YEARS

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
Revenues:				
Local sources	\$ 2,417,237	\$ 2,415,174	\$ 2,133,592	\$ 2,145,295
Intermediate sources	500	-	500	-
State sources	7,359,520	7,293,659	8,212,024	8,659,105
Federal sources	<u>297,107</u>	<u>196,540</u>	<u>232,075</u>	<u>265,064</u>
Total Revenues	<u>10,074,364</u>	<u>9,905,373</u>	<u>10,578,191</u>	<u>11,069,464</u>
Expenditures:				
Instruction	5,840,903	6,505,645	7,100,158	6,842,863
Support services	4,335,496	3,797,675	3,578,608	3,809,110
Noninstructional services	72,504	27,271	18,178	13,406
Facilities acquisition and construction	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>10,248,903</u>	<u>10,590,591</u>	<u>10,696,944</u>	<u>10,665,379</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(174,539)</u>	<u>(685,218)</u>	<u>(118,753)</u>	<u>404,085</u>
Other Financing Sources (Uses):				
Sale of other property	8,000	1,832	-	-
Operating transfers in	4,085	18,912	15,140	-
Operating transfers out	<u>(86,651)</u>	<u>(55,099)</u>	<u>(22,321)</u>	<u>(42,608)</u>
Total Other Financing Sources (Uses)	<u>(74,566)</u>	<u>(34,355)</u>	<u>(7,181)</u>	<u>(42,608)</u>
Net Change in Fund Balances	(249,105)	(719,573)	(125,934)	361,477
Fund Balances:				
Beginning of period	<u>2,255,730</u>	<u>2,975,303</u>	<u>3,101,237</u>	<u>2,739,760</u>
End of Period	<u>\$ 2,006,625</u>	<u>\$ 2,255,730</u>	<u>\$ 2,975,303</u>	<u>\$ 3,101,237</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

AMORY SEPARATE SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(UNAUDITED)

ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
Revenues:				
Local sources	\$ 3,130,838	\$ 3,015,295	\$ 3,146,891	\$ 3,282,996
Intermediate sources	500	-	500	4,252
State sources	8,522,577	8,375,692	9,299,383	9,700,976
Federal sources	3,345,791	3,132,750	2,025,577	2,074,120
Sixteenth Section sources	<u>3,616</u>	<u>4,085</u>	<u>4,771</u>	<u>14,401</u>
Total Revenues	<u>15,003,322</u>	<u>14,527,822</u>	<u>14,477,122</u>	<u>15,076,745</u>
Expenditures:				
Instruction	8,231,414	8,654,575	8,310,951	8,232,291
Support services	5,794,561	5,036,224	4,622,673	4,694,854
Noninstructional services	1,274,082	1,241,160	1,205,423	1,213,134
Sixteenth Section	-	-	19,035	11,711
Facilities acquisition and construction	1,296,005	260,000	-	-
Debt service:				
Principal	385,000	615,000	570,000	560,000
Interest	85,034	72,228	86,459	131,971
Other	<u>1,035</u>	<u>999</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>17,067,131</u>	<u>15,880,186</u>	<u>14,814,541</u>	<u>14,843,961</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,063,809)</u>	<u>(1,352,364)</u>	<u>(337,419)</u>	<u>232,784</u>
Other Financing Sources (Uses):				
Proceeds of loans	3,000,000	985,000	-	-
Sale of other property	8,000	1,832	-	-
Operating transfers in	90,736	74,011	487,461	47,315
Other financing sources	<u>(90,736)</u>	<u>(74,011)</u>	<u>(487,461)</u>	<u>(47,315)</u>
Total Other Financing Sources (Uses)	<u>3,008,000</u>	<u>986,832</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	944,191	(365,532)	(337,419)	232,784
Fund Balances:				
Beginning of period	3,717,176	4,091,755	4,426,774	4,192,767
Increase (decrease) in reserve for inventory	<u>8,506</u>	<u>(9,047)</u>	<u>2,400</u>	<u>1,223</u>
End of Period	<u>\$ 4,669,873</u>	<u>\$ 3,717,176</u>	<u>\$ 4,091,755</u>	<u>\$ 4,426,774</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

AMORY SEPARATE SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Superintendent and School Board
Amory Separate School District



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Charles M. Hawkins, CPA, CBA
Jeffrey H. Read, CPA
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Matthew S. Sasser, CPA
J. Mark Ward, CPA
W. Matthew Turner, CPA
Joshua B. Shaw, CPA
Katherine W. Little, CPA
Lacie J. Bartholomew, CPA

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Amory Separate School District as of and for the year ended June 30, 2011, which collectively comprise Amory Separate School District's basic financial statements and have issued our report thereon dated March 6, 2012. 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 Amory Separate School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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.



Columbus, Mississippi
March 6, 2012



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

Superintendent and School Board
 Amory Separate School District



Compliance

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We have audited the compliance of the Amory School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Amory Separate School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, Amory Separate School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Amory Separate 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 Amory Separate School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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.

J.E. Solt Company

Columbus, Mississippi
March 6, 2012

AMORY SEPARATE SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**



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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
Amory Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Amory Separate School District as of and for the year ended June 30, 2011, which collectively comprise Amory Separate School District's basic financial statements and have issued our report thereon dated March 6, 2012. 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 \$9,500 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.

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As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

J. E. Scott & Company

Columbus, Mississippi
March 6, 2012

AMORY SEPARATE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AMORY SEPARATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued on the financial statements: | Unqualified |
| 2. | Noncompliance material to financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be material weakness? | None reported |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be material weakness? | None reported |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Title I Grants to Local Education Agencies Cluster | |
| | CFDA # 84.389 | |
| | CFDA # 84.010 | |

AMORY SEPARATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I: SUMMARY OF AUDITORS' RESULTS (Continued)

7. Federal programs identified as major programs (Continued):
- b. Special Education Cluster
 - CFDA # 84.027
 - CFDA # 84.173
 - CFDA # 84.391
 - CFDA # 84.392

 - c. State Fiscal Stabilization Fund - Education Grants, Recovery Act
 - CFDA # 84.394

 - d. Education Jobs Fund
 - CFDA # 84.410
8. Dollar threshold used to distinguish between type A and type B programs: \$ 300,000
9. Auditee qualified as low-risk auditee? No

SECTION II: FINANCIAL STATEMENT FINDINGS

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

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

