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CALHOUN COUNTY SCHOOL DISTRICT

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

**CALHOUN COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Calhoun County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2012, on our consideration of the Calhoun County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 9, 2012

Watkins, Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Calhoun County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$1,747,890, including a prior period adjustment of (\$29,587), which represents a 19% increase from fiscal year 2010. Total net assets for 2010 increased \$261,622, including a prior period adjustment of \$71,897, which represents a 3% increase from fiscal year 2009.
- General revenues amounted to \$15,197,816 and \$15,271,895, or 73% and 74% 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 \$5,731,745, or 27% of total revenues for 2011, and \$5,425,817, or 26% of total revenues for 2010.
- The District had \$19,152,084 and \$20,507,987 in expenses for fiscal years 2011 and 2010; only \$5,731,745 for 2011 and \$5,425,817 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$15,197,816 for 2011 and \$15,271,895 for 2010 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$14,880,483 in revenues and \$13,174,077 in expenditures for 2011, and \$14,791,886 in revenues and \$15,114,952 in expenditures for 2010. The General Fund's fund balance increased by \$1,624,701 from 2010 to 2011, and decreased by \$108,371 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$336,803 for 2011 and increased by \$139,331 for 2010. The decrease for 2011 was due to retirements to furniture and equipment and the recording of depreciation expense for the year.
- Long-term debt decreased by \$461,483 for 2011 and decreased by \$280,000 for 2010. This decrease for 2011 was due primarily to principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$3,473 for 2011 and increased by \$47,730 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$11,197,457 as of June 30, 2011.

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

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

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

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 4,644,958	3,097,740	50%
Restricted assets	156,126	152,139	3%
Capital assets, net	<u>12,297,956</u>	<u>12,634,759</u>	-3%
Total assets	<u>17,099,040</u>	<u>15,884,638</u>	8%
Current liabilities	154,842	230,320	-33%
Long-term debt outstanding	<u>5,746,741</u>	<u>6,204,751</u>	-7%
Total liabilities	<u>5,901,583</u>	<u>6,435,071</u>	-8%
Net assets:			
Invested in capital assets, net of related debt	9,649,956	9,696,759	0%
Restricted	1,569,408	1,567,426	0%
Unrestricted	<u>(21,907)</u>	<u>(1,814,618)</u>	99%
Total net assets	<u>\$ 11,197,457</u>	<u>9,449,567</u>	18%

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

- Decrease in net capital assets in the amount of \$336,803.
- The principal retirement of \$461,283 of long-term debt.
- Receipt of \$522,643 ARRA-Education Jobs funds and \$699,900 ARRA-Stabilization funds, generally referred to as 'federal stimulus funds', received to assist in economic recession.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$20,929,561 and \$20,697,712, respectively. The total cost of all programs and services was \$19,152,084 for 2011 and \$20,507,987 for 2010.

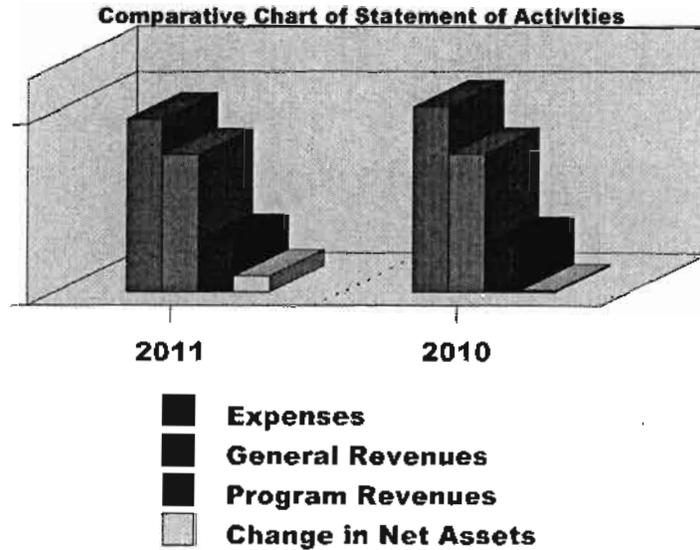
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

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

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 890,755	820,625	9%
Operating grants and contributions	4,705,051	4,528,748	4%
Capital grants and contributions	<u>135,939</u>	<u>76,444</u>	78%
Total program revenues	<u>5,731,745</u>	<u>5,425,817</u>	6%
General revenues:			
Property taxes	2,810,728	2,736,697	3%
Grants and contributions not restricted	12,218,277	12,187,797	0%
Unrestricted investment earnings	3,328	5,066	-34%
Sixteenth section sources	64,700	172,505	-62%
Other	<u>100,783</u>	<u>169,830</u>	-41%
Total general revenues	<u>15,197,816</u>	<u>15,271,895</u>	0%
Total revenues	<u>20,929,561</u>	<u>20,697,712</u>	1%
Expenses:			
Instruction	10,750,014	12,231,727	-12%
Support services	6,650,603	6,460,960	3%
Non-instructional	1,526,232	1,579,571	-3%
Sixteenth section	15,952	11,787	35%
Interest on long-term debt	<u>209,283</u>	<u>223,942</u>	-7%
Total expenses	<u>19,152,084</u>	<u>20,507,987</u>	-7%
Increase (Decrease) in net assets	<u>1,777,477</u>	<u>189,725</u>	837%
Net Assets, July 1, as originally reported	9,449,567	9,187,945	3%
Prior Period Adjustment	<u>(29,587)</u>	<u>71,897</u>	-141%
Net Assets, July 1, as restated	<u>9,419,980</u>	<u>9,259,842</u>	2%
Net Assets, June 30	<u>\$ 11,197,457</u>	<u>9,449,567</u>	18%

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



Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

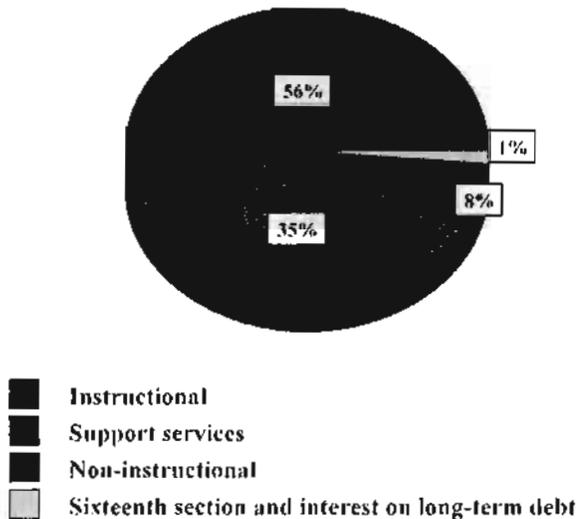
	Total Expenses		
	2011	2010	Percentage Change
Instruction	\$ 10,750,014	12,231,727	-12%
Support services	6,650,603	6,460,960	3%
Non-instructional	1,526,232	1,579,571	-3%
Sixteenth section	15,952	11,787	35%
Interest on long-term liabilities	209,283	223,942	-7%
Total expenses	\$ 19,152,084	20,507,987	-7%

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

Net (Expense) Revenue

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Instruction	\$ (7,519,835)	(9,758,923)	-23%
Support services	(5,732,115)	(5,136,143)	12%
Non-instructional	49,565	20,935	137%
Sixteenth section	(8,671)	15,903	-155%
Interest on long-term liabilities	(209,283)	(223,942)	-7%
Total net (expense) revenue	\$ (13,420,339)	(15,082,170)	-11%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$13,420,339 for 2011 and \$15,082,170 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,810,728 for 2011 and \$2,736,697 for 2010) and state and federal revenues (\$12,218,277 for 2011 and \$12,187,797 for 2010). In addition, there was \$64,700 and \$172,505 in Sixteenth Section sources for 2011 and 2010 respectively.
- Investment earnings amounted to \$3,328 for 2011 and \$5,066 for 2010.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,789,860, an increase of \$1,616,410, which includes a prior period adjustment of (\$49,787) and an increase in inventory of \$14,828. This increase was mainly due to the receipt of \$522,643 ARRA-Education Jobs funds and \$699,900 ARRA-Stabilization funds, generally referred to as 'federal stimulus funds', received to assist in economic recession. This combined with cost cutting measures of the district during the economic recession were made as a proactive effort to be fiscally sound through the predicted years to come as we slowly move out of the recession. \$2,668,433 or 56% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,121,427 or 44% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,624,701, including a prior period adjustment of (\$49,787). The fund balance of Other Governmental Funds showed a decrease in the amount of \$8,291, which includes an increase in reserve for inventory of \$14,828, due primarily to the recording of the change in inventory during the year. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I - A Basic Fund	no increase or decrease
Title II Improving Teacher Quality Fund	no increase or decrease
EHA IDEA Part B Fund	no increase or decrease

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

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.

- Revenues from local, state and federal sources in the General Fund were increased as original amounts were underestimated.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. The District received Federal Education Jobs fund that were reported in special revenue funds. Instructional expenditures normally incurred in the General Fund were reclassified to these special revenue funds and federal funds were received to cover these expenditures.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$21,207,564, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$94,386 from 2010. Total accumulated depreciation as of June 30, 2011, was \$8,909,608, and total depreciation expense for the year was \$499,029, resulting in total net capital assets of \$12,297,956.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 86,020	66,020	30%
Buildings	10,907,309	11,203,839	-3%
Improvements other than buildings	169,421	174,361	-3%
Mobile equipment	835,070	877,901	-5%
Furniture and equipment	300,136	312,638	-4%
Total	\$ <u>12,297,956</u>	<u>12,634,759</u>	-3%

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

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

Debt Administration. At June 30, 2011, the District had \$5,746,741 in outstanding long-term debt, of which \$477,664 is due within one year. The liability for compensated absences increased \$3,473 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	\$ 2,648,000	2,938,000	-10%
Three mill notes payable	2,825,000	2,965,000	-5%
Shortfall notes payable	66,550	98,033	-32%
Compensated absences	207,191	203,718	2%
Total	\$ <u>5,746,741</u>	<u>6,204,751</u>	-7%

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

CURRENT ISSUES AND OTHER INFORMATION

The Calhoun County School District is financially stable.

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

Enrollment for the 2010-2011 year decreased by 1% to 2,524. This is due primarily to the District's restructuring and downsizing the pre-kindergarten (4-year olds) program to limit enrollment to 40 at each elementary school and a decrease of 42 students in grade 1 - 12 enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Chief Financial Officer or Superintendent of Education at the District's Administrative Office of the Calhoun County School District, 119 West Main Street, Pittsboro, MS 38951, call 662-412-3152, or e-mail Teresa Dunn at Tdunn@calhoun.k12.ms.us . The district's website is www.calhoun.k12.ms.us.

FINANCIAL STATEMENTS

CALHOUN COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,816,029
Due from other governments	769,940
Inventories and Prepaid items	58,989
Restricted assets	156,126
Capital assets, non-depreciable:	
Land	86,020
Capital assets, net of accumulated depreciation:	
Buildings	10,907,309
Improvements other than buildings	169,421
Mobile equipment	835,070
Furniture and equipment	300,136
Total Assets	<u>17,099,040</u>
Liabilities	
Accounts payable and accrued liabilities	11,224
Interest payable on long-term liabilities	143,618
Long-term liabilities, due within one year:	
Capital related liabilities	300,000
Non-capital related liabilities	177,864
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,348,000
Non-capital related liabilities	2,921,077
Total Liabilities	<u>5,901,583</u>
Net Assets	
Invested in capital assets, net of related debt	9,649,956
Restricted for:	
Expendable:	
School - based activities	790,511
Debt service	603,933
Forestry improvements	74,828
Unemployment benefits	100,136
Unrestricted	(21,907)
Total Net Assets	<u>\$ 11,197,457</u>

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

CALHOUN COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 10,750,014	\$ 477,284	\$ 2,752,895		\$ (7,519,835)	
Support services	6,650,603	53,217	729,332	135,939	(5,732,115)	
Non-instructional	1,526,232	352,973	1,222,824		49,565	
Sixteenth section	15,952	7,281			(8,671)	
Interest on long-term liabilities	209,283				(209,283)	
Total Governmental Activities	\$ 19,152,084	\$ 890,755	\$ 4,705,051	\$ 135,939	\$ (13,420,339)	

General Revenues:

Taxes:

 General purpose levies

2,568,896

 Debt purpose levies

241,833

Unrestricted grants and contributions:

 State

11,281,034

 Federal

937,243

 Unrestricted investment earnings

3,328

 Sixteenth section sources

64,700

 Other

100,783

Total General Revenues

15,197,816

Change in Net Assets

1,777,477

Net Assets - Beginning, as originally reported

9,449,567

 Prior Period Adjustments

(29,587)

Net Assets - Beginning, as restated

9,419,980

Net Assets - Ending

\$ 11,197,457

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

CALHOUN COUNTY SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2011

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Title II-A Fund	EHA IDEA Part B Fund		
Assets						
Cash and cash equivalents	\$ 2,503,172				1,312,857	\$ 3,816,029
Investments					156,126	156,126
Due from other governments	234,022	142,879	33,993	68,217	290,829	769,940
Due from other funds	325,144					325,144
Inventories					42,010	42,010
Prepaid Items	16,979					16,979
Total assets	3,079,317	142,879	33,993	68,217	1,801,822	5,126,228
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	2,483				8,741	11,224
Due to other funds		142,879	33,993	68,217	80,055	325,144
Total Liabilities	2,483	142,879	33,993	68,217	88,796	336,368
Fund Balances:						
Nonspendable:						
Inventory					42,010	42,010
Prepaid Items	16,979					16,979
Restricted:						
Debt service					747,551	747,551
Capital projects					374,690	374,690
Food service					349,701	349,701
Forestry improvement purposes					74,828	74,828
Grant activities					16,221	16,221
Unemployment benefits					100,136	100,136
<i>Other purposes</i>					7,889	7,889
Assigned:						
Bus Purchases	255,300					255,300
<i>Other purposes</i>	136,122					136,122
Unassigned	2,668,433					2,668,433
Total Fund Balances	3,076,834	0	0	0	1,713,026	4,789,860
Total Liabilities and Fund Balances	\$ 3,079,317	142,879	33,993	68,217	1,801,822	\$ 5,126,228

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

CALHOUN COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

Total fund balances for governmental funds **\$ 4,789,860**

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

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

Land	\$	86,020	
Buildings		17,187,445	
Improvements other than buildings		402,507	
Mobile equipment		2,576,304	
Furniture and equipment		955,288	
Accumulated depreciation		<u>(8,909,608)</u>	12,297,956

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

Limited obligation bonds		(2,648,000)	
Three mill notes payable		(2,825,000)	
Shortfall notes payable		(66,550)	
Compensated absences		(207,191)	
Accrued interest payable		<u>(143,618)</u>	<u>(5,890,359)</u>

Net assets of governmental activities **\$ 11,197,457**

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

CALHOUN COUNTY SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Title II-A Fund	EHA IDEA Part B Fund		
Revenues:						
Local sources	\$ 3,189,199		258		610,657	\$ 3,800,114
State sources	11,414,447				544,845	11,959,292
Federal sources	276,837	879,439	215,694	562,143	3,093,862	5,027,975
Sixteenth section sources					72,312	72,312
Total Revenues	14,880,483	879,439	215,952	562,143	4,321,676	20,859,693
Expenditures:						
Instruction	7,812,828	712,682	184,468	174,781	1,570,235	10,454,994
Support services	5,271,452	13,985	27,668	387,362	859,178	6,559,645
Noninstructional services	89,797	6,515			1,430,020	1,526,332
Sixteenth section					15,952	15,952
Debt service:						
Principal					461,283	461,283
Interest					218,356	218,356
Other					1,200	1,200
Total Expenditures	13,174,077	733,182	212,136	562,143	4,556,224	19,237,762
Excess (Deficiency) of Revenues over (under) Expenditures	1,706,406	146,257	3,816	0	(234,548)	1,621,931
Other Financing Sources (Uses):						
Insurance recovery	29,717					29,717
Operating transfers in	67,277				273,965	341,242
Operating transfers out	(128,892)	(146,257)	(3,816)		(62,277)	(341,242)
Other financing uses	(20)				(259)	(279)
Total Other Financing Sources (Uses)	(31,918)	(146,257)	(3,816)	0	211,429	29,438
Net Change In Fund Balances	1,674,488	0	0	0	(23,119)	1,651,369
Fund Balances:						
July 1, 2010	1,452,133				1,721,317	3,173,450
Prior Period Adjustment	(49,787)					(49,787)
July 1, 2010, restated	1,402,346	0	0	0	1,721,317	3,123,663
Increase (Decrease) in reserve for inventory					14,828	14,828
June 30, 2011	\$ 3,076,834	0	0	0	1,713,026	\$ 4,789,860

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

CALHOUN COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 1,651,369**

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 142,911	
Depreciation expense	<u>(499,029)</u>	(356,118)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		
		(685)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	461,283	
Accrued interest payable	<u>10,273</u>	471,556
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(3,473)	
Change in inventory reserve	<u>14,828</u>	11,355
Change in net assets of governmental activities		<u>\$ 1,777,477</u>

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

CALHOUN COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 823,001
Total Assets	<u>\$ 823,001</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 749,698
Due to student clubs	73,303
Total Liabilities	<u>\$ 823,001</u>

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

CALHOUN COUNTY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

CALHOUN COUNTY SCHOOL DISTRICT

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major Individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title 1 Fund- This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structured project.

Title II-A Fund- This is the school district's fund which accounts for the resources used to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom.

EHA IDEA Part B Fund- This fund accounts for the resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

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 School Activity agency funds (student clubs).

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

CALHOUN COUNTY SCHOOL DISTRICT

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

CALHOUN COUNTY SCHOOL DISTRICT

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

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

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

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

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

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

CALHOUN COUNTY SCHOOL DISTRICT

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

CALHOUN COUNTY SCHOOL DISTRICT

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

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences**

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

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

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

In the government-wide financial statements outstanding debt is reported as liabilities.

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

9. **Fund Balances**

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

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

CALHOUN COUNTY SCHOOL DISTRICT

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

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

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

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

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

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

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

Note 2 – Cash and Cash Equivalents, and Investments

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

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

CALHOUN COUNTY SCHOOL DISTRICT

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 3,816,029 and \$ 823,001, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$ 3,816,029.

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 \$5,837,461 was exposed to custodial credit risk.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Hancock Horizon Treasury Securities			
Money Market Funds	A	N/A	\$ 156,126
Total			\$ 156,126

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

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

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

CALHOUN COUNTY SCHOOL DISTRICT

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 142,879
	Title II-A Fund	33,993
	EHA IDEA Part B Fund	68,217
	Other governmental funds	80,055
		<hr/>
Total		<u>\$ 325,144</u>

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

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Title I fund	\$ 5,000
	Other governmental funds	62,277
Other governmental funds	General fund	128,892
	Title I fund	141,257
	Title II-A fund	3,816
		<hr/>
Total		<u>\$ 341,242</u>

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

Note 4 – Restricted Assets

In addition, the restricted assets represent the investment balance totaling \$156,126 of the MAEP Limited Obligation Bond/Note Fund.

CALHOUN COUNTY SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Prior Period Adjustment	Balance 6/30/2011
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 66,020			\$ 20,000	\$ 86,020
Total non-depreciable capital assets	66,020	-	-	20,000	86,020
<u>Depreciable capital assets:</u>					
Buildings	17,187,445				17,187,445
Improvements other than buildings	402,507				402,507
Mobile equipment	2,480,365	95,939			2,576,304
Furniture and equipment	976,841	46,972	68,525		955,288
Total depreciable capital assets	21,047,158	142,911	68,525		21,121,544
<u>Less accumulated depreciation for:</u>					
Buildings	5,983,606	296,530			6,280,136
Improvements other than buildings	228,146	4,940			233,086
Mobile equipment	1,602,464	118,580		20,190	1,741,234
Furniture and equipment	664,203	78,979	67,840	(20,190)	655,152
Total accumulated depreciation	8,478,419	499,029	67,840	-	8,909,608
Total depreciable capital assets, net	12,568,739	(356,118)	685	-	12,211,936
Governmental activities capital assets, net	\$ 12,634,759	\$ (356,118)	\$ 685	20,000	\$ 12,297,956

The prior period adjustment column represents the fair market value of land donated in 2008 to the school district and a reclassification of accumulated depreciation between the mobile equipment and furniture and equipment reporting categories.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 288,678
Support services	196,052
Non-instructional	14,299
Total depreciation expense - Governmental activities	\$ 499,029

CALHOUN COUNTY SCHOOL DISTRICT

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Adjustments	Balance 6/30/2011	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,938,000	\$	\$ 290,000	\$ -	\$ 2,648,000	\$ 300,000
B. Three mill notes payable	2,965,000		140,000		2,825,000	145,000
C. Shortfall notes payable	98,033		31,283	(200)	66,550	32,664
D. Compensated absences payable	203,718	12,598	9,125		207,191	-
Total	\$ 6,204,751	\$ 12,598	\$ 470,408	\$ (200)	\$ 5,746,741	\$ 477,664

Adjustments column represents a prior period adjustment to correct the reported beginning shortfall note principal balance.

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. MAEP Refunding Bonds	3.44%	7/31/2008	5/1/2018	\$ 3,083,000	\$ 2,648,000
Total				\$ 3,083,000	\$ 2,648,000

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

Limited obligation bond issue of 7/31/2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 300,000	\$ 85,931	\$ 385,931
2013	310,000	75,439	385,439
2014	320,000	64,603	384,603
2015	330,000	53,423	383,423
2016	340,000	41,900	381,900
2017 – 2018	1,048,000	47,508	1,095,508
Total	\$ 2,648,000	\$ 368,804	\$ 3,016,804

This debt will be retired from the MAEP Retirement Fund.

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

CALHOUN COUNTY SCHOOL DISTRICT

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
3 Mill Note Payable,					
1. Series 2008	4.00%	8/13/2008	8/1/2025	\$ 3,100,000	\$ 2,825,000
Total				<u>\$ 3,100,000</u>	<u>\$ 2,825,000</u>

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

1. Three mill notes payable issue of 8/13/2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 145,000	\$ 113,000	\$ 258,000
2013	155,000	107,200	262,200
2014	160,000	101,000	261,000
2015	165,000	94,600	259,600
2016	170,000	88,000	258,000
2017 – 2021	970,000	331,400	1,301,400
2022 – 2026	1,060,000	123,600	1,183,600
Total	<u>\$ 2,825,000</u>	<u>\$ 958,800</u>	<u>\$ 3,783,800</u>

This debt will be retired from the Three Mill Notes Debt Retirement Fund (4021).

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note Payable,					
1. Series 2009	3.75%	9/17/2009	9/1/2012	\$ 98,033	\$ 66,550
Total				<u>\$ 98,033</u>	<u>\$ 66,550</u>

CALHOUN COUNTY SCHOOL DISTRICT

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

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

1. Shortfall notes payable issue of 9/17/2009:

Year Ending June 30	Principal	Interest	Total
2012	\$ 32,664	\$ 2,496	35,160
2013	33,886	1,274	35,160
Total	<u>\$ 66,550</u>	<u>\$ 3,770</u>	<u>70,320</u>

This debt will be retired from the Shortfall Notes Debt Retirement Fund (4011).

D. Compensated absences payable

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,260,052, \$1,373,131 and \$1,358,798, respectively, which equaled the required contributions for each year.

CALHOUN COUNTY SCHOOL DISTRICT

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

Note 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 11,674
2013	6,715
2014	6,715
2015	6,715
2016	6,715
2017 – 2021	32,575
2022 – 2026	25,650
2027 – 2031	25,038
2032 – 2036	6,180
Thereafter	5,200
Total	<u>\$ 133,177</u>

Note 9 – Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct 2008 error for prepaid workers' compensation insurance premiums	\$ (49,787)
2. To reclassify land donated in 2008	20,000
3. To correct prior period long-term debt error	<u>200</u>
Total	<u>\$ (29,587)</u>

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

Fund	Explanation	Amount
General Fund	To correct 2008 error in prepaid workers' compensation insurance premiums	\$ (49,787)
Total		<u>\$ (49,787)</u>

CALHOUN COUNTY SCHOOL DISTRICT

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

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 - Insurance loss recoveries

The Calhoun County School District received \$29,717 in insurance loss recoveries related to damages from a wrongful dismissal suit against the district during the 2010-2011 fiscal year. The insurance company refunded attorney fees related to the case. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 29,717	100%	Support Services
\$ 29,717	100%	

CALHOUN COUNTY SCHOOL DISTRICT

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

Note 13 - 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 Calhoun County School District evaluated the activity of the district through January 9, 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.

REQUIRED SUPPLEMENTAL INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT
Required Supplemental Information
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	\$ 2,887,480	\$ 3,230,489	\$ 3,189,199	\$ 343,009	\$ (41,290)
State sources	11,308,928	11,424,824	11,414,447	115,898	(10,377)
Federal sources	207,030	260,111	276,837	53,081	16,726
Total Revenues	14,403,438	14,915,424	14,880,483	511,986	(34,941)
Expenditures:					
Instruction	8,604,341	8,352,553	7,812,828	251,788	539,725
Support services	5,695,548	5,858,248	5,271,452	(162,700)	586,796
Noninstructional services	99,076	105,123	89,797	(6,047)	15,326
Total Expenditures	14,398,965	14,315,924	13,174,077	83,041	1,141,847
Excess (Deficiency) of Revenues over (under) Expenditures	4,473	599,500	1,706,406	595,027	1,106,906
Other Financing Sources (Uses):					
Insurance recovery		29,717	29,717	29,717	-
Operating transfers in	142,354	504,845	67,277	362,491	(437,568)
Other financing sources	32,371	41,889		9,518	(41,889)
Operating transfers out	(147,877)	(551,516)	(128,892)	(403,639)	422,624
Other financing uses	(32,371)	(41,889)	(20)	(9,518)	41,869
Total Other Financing Sources (Uses)	(5,523)	(16,954)	(31,918)	(11,431)	(14,964)
Net Change in Fund Balances	(1,050)	582,546	1,674,488	583,596	1,091,942
Fund Balances:					
July 1, 2010, as originally reported	1,125,372	1,452,134	1,452,133	326,762	(1)
Prior period adjustments			(49,787)	-	(49,787)
July 1, 2010, as restated	1,125,372	1,452,134	1,402,346	326,762	(49,788)
June 30, 2011	\$ 1,124,322	\$ 2,034,680	\$ 3,076,834	\$ 910,358	\$ 1,042,154

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

CALHOUN COUNTY SCHOOL DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule
Title I 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:					
Federal sources	890,663	959,073	879,439	68,410	(79,634)
Total Revenues	890,663	959,073	879,439	68,410	(79,634)
Expenditures:					
Instruction	727,469	746,477	712,682	(19,008)	33,795
Support services	1,000	33,389	13,985	(32,389)	19,404
Noninstructional services	7,724	9,435	6,515	(1,711)	2,920
Total Expenditures	736,193	789,301	733,182	(53,108)	56,119
Excess (Deficiency) of Revenues over (under) Expenditures	154,470	169,772	146,257	15,302	(23,515)
Other Financing Sources (Uses):					
Operating transfers out	(154,470)	(169,772)	(146,257)	(15,302)	23,515
Total Other Financing Sources (Uses)	(154,470)	(169,772)	(146,257)	(15,302)	23,515
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ -	\$ -	\$ -	\$ -	\$ -

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

CALHOUN COUNTY SCHOOL DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule
Title II A 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	\$	\$	\$ 258	\$ -	\$ 258
Federal sources	251,651	228,582	215,694	(23,069)	(12,888)
Total Revenues	251,651	228,582	215,952	(23,069)	(12,630)
Expenditures:					
Instruction	223,817	188,121	184,468	35,496	3,653
Support services	24,492	36,645	27,668	(12,153)	8,977
Total Expenditures	248,109	224,766	212,136	23,343	12,630
Excess (Deficiency) of Revenues over (under) Expenditures	3,542	3,816	3,816	274	-
Other Financing Sources (Uses):					
Operating transfers out	(3,542)	(3,816)	(3,816)	(274)	-
Total Other Financing Sources (Uses)	(3,542)	(3,816)	(3,816)	(274)	-
Net Change In Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010,	-	-	-	-	-
June 30, 2011	\$ -	\$ -	\$ -	\$ -	\$ -

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

CALHOUN COUNTY SCHOOL DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule
EHA IDEA Part B Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	685,441	750,591	562,143	65,150	(188,448)
Total Revenues	685,441	750,591	562,143	65,150	(188,448)
Expenditures:					
Instruction	211,675	239,910	174,781	(28,235)	65,129
Support services	463,563	500,681	387,362	(37,118)	113,319
Total Expenditures	675,238	740,591	562,143	(65,353)	178,448
Excess (Deficiency) of Revenues over (under) Expenditures	10,203	10,000	-	(203)	(10,000)
Other Financing Sources (Uses):					
Operating transfers out	(10,000)	(10,000)	-	-	10,000
Total Other Financing Sources (Uses)	(10,000)	(10,000)	-	-	10,000
Net Change in Fund Balances	203	-	-	(203)	-
Fund Balances:					
July 1, 2010,	-	-	-	-	-
June 30, 2011	\$ 203	\$ -	\$ -	\$ (203)	\$ -

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

CALHOUN COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison 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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT
Supplemental Information
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>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 331,066
National school lunch program	10.555	891,110
Total child nutrition cluster		<u>1,222,176</u>
Total passed-through Mississippi Department of Education		<u>1,222,176</u>
Total U.S. Department of Agriculture		<u>1,222,176</u>
<u>U.S. Department of Defense</u>		
Passed through Calhoun County		
Flood Control Projects	12.106	85,474
Total Passed through Calhoun County		<u>85,474</u>
Total U.S. Department of Defense		<u>85,474</u>
<u>U.S. Department of Labor</u>		
Direct Program:		
ARRA- Employee Benefits Security Administration- Recovery Act	17.151	12,420
Total U.S. Department of Labor		<u>12,420</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
Communications Information and Assistance and Investigation of Complainants	32.001	78,542
Total Federal Communications Commission		<u>78,542</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	27,073
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	910
Safe and drug-free schools and communities- state grants	84.186	1,950
Rural education	84.358	60,464
English language acquisition grants	84.365	40,324
Improving Teacher Quality State Grants	84.367	215,951
Teacher Incentive Fund	84.374	719
ARRA-State Fiscal Stabilization Fund-Education state grants, Recovery Act	84.394	699,900
Education Jobs Fund	84.410	522,643
Subtotal		<u>1,569,934</u>
Education technology cluster:		
Education technology state grants	84.318	8,366
ARRA - Education technology state grants, Recovery Act	84.386	19,123
Total Education Technology cluster		<u>27,489</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	879,439
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	212,137
Total Title I cluster		<u>1,091,576</u>
Special education cluster:		
Special education - grants to states	84.027	562,143
Special education - preschool grants	84.173	17,763
ARRA - Special education grants to states, Recovery Act	84.391	191,771
ARRA - Special education - preschool grants, Recovery Act	84.392	2,842
Total special education cluster		<u>774,519</u>
Total passed-through Mississippi Department of Education		<u>3,463,518</u>
Total U.S. Department of Education		<u>3,463,518</u>
Total for All Federal Awards		<u>\$ 4,862,130</u>

CALHOUN COUNTY SCHOOL DISTRICT
Supplemental Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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.

CALHOUN COUNTY SCHOOL DISTRICT

Supplemental Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 14,420,993	10,716,818	834,776	958,866	1,910,933
Other	4,816,769	1,246,398	208,658	47,896	3,313,817
Total	\$ 19,237,762	11,963,016	1,043,434	1,006,562	5,224,750
Total number of students *	2,524				
Cost per student	\$ 7,622	4,740	413	399	2,070

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

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

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

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

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

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

OTHER INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 3,189,199	\$ 3,061,579	\$ 2,952,830	\$ 2,910,501
Intermediate sources	11,414,447	11,540,427	13,149,398	12,737,357
State sources	276,837	189,880	244,074	200,806
Total Revenues	14,880,483	14,791,886	16,346,302	15,848,664
Expenditures:				
Instruction	7,812,828	9,490,271	10,879,230	10,365,011
Support services	5,271,452	5,404,825	5,245,723	5,362,538
Noninstructional services	89,797	96,556	102,891	115,876
Facilities acquisition and construction		123,500		
Total Expenditures	13,174,077	15,114,952	16,227,844	15,843,423
Excess (Deficiency) of Revenues over (under) Expenditures	1,706,406	(323,066)	118,458	5,241
Other Financing Sources (Uses):				
Bonds and notes issued			97,833	
Insurance recovery	29,717	426		
Sale of transportation equipment		7,154		4,518
Operating transfers in	67,277	242,212	381,068	
Other financing sources		31,743	31,267	
Operating transfers out	(128,892)	(35,097)	(10,339)	(86,463)
Other financing uses	(20)	(31,743)	(31,267)	
Total Other Financing Sources (Uses)	(31,918)	214,695	468,562	(81,945)
Net Change in Fund Balances	1,674,488	(108,371)	587,020	(76,704)
Fund Balances:				
Beginning of period, as originally reported	1,452,133	1,560,504	973,484	1,050,188
Prior period adjustments	(49,787)			
Beginning of period, as restated	1,402,346	1,560,504	973,484	1,050,188
End of Period	\$ 3,076,834	\$ 1,452,133	\$ 1,560,504	\$ 973,484

*SOURCE - PRIOR YEAR AUDIT REPORTS

CALHOUN COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

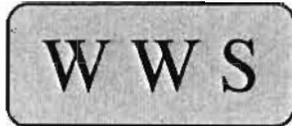
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 3,800,114	\$ 3,672,359	\$ 3,740,481	\$ 3,555,893
State sources	11,959,292	12,081,913	13,871,059	13,843,797
Federal sources	5,027,975	4,711,076	3,046,419	2,987,039
Sixteenth section sources	72,312	200,195	15,788	143,850
Total Revenues	20,859,693	20,665,543	20,673,745	20,530,579
Expenditures:				
Instruction	10,454,994	11,966,031	12,221,493	11,932,835
Support services	6,559,645	6,577,174	8,052,862	6,209,736
Noninstructional services	1,526,332	1,535,422	1,542,830	1,432,259
Sixteenth section	15,952	11,787	7,858	23,569
Facilities acquisition and construction		193,730	34,202	129,432
Debt service:				
Principal	461,283	280,000	48,057	350,000
Interest	218,356	221,950	54,395	189,117
Other	1,200	2,168	43,404	690
Total Expenditures	19,237,762	20,788,262	22,005,099	20,267,638
Excess (Deficiency) of Revenues over (under) Expenditures	1,621,931	(122,719)	(1,331,354)	262,941
Other Financing Sources (Uses):				
Bonds and notes issued			3,197,833	
Insurance recovery	29,717	426		
Premiums on bonds and refunding bonds issued			3,083,000	
Sale of transportation equipment		7,154		4,518
Operating transfers in	341,242	568,712	1,292,534	336,817
Other financing sources		31,743	31,287	
Operating transfers out	(341,242)	(568,712)	(1,292,534)	(336,817)
Other financing uses	(279)	(31,806)	(4,061,489)	
Total Other Financing Sources (Uses)	29,438	7,517	2,250,611	4,518
Net Change in Fund Balances	1,651,369	(115,202)	919,257	267,459
Fund Balances:				
Beginning of period, as originally reported	3,173,450	3,283,605	2,354,828	2,091,418
Prior period adjustments	(49,787)			
Beginning of period, as restated	3,123,663	3,283,605	2,354,828	2,091,418
Increase (Decrease) in reserve for inventory	14,828	5,047	9,520	(4,049)
End of Period	\$ 4,789,860	\$ 3,173,450	\$ 3,283,605	\$ 2,354,828

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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 Certified Public Accountants

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Superintendent and School Board
 Calhoun County School District

We have audited the financial statements of Calhoun County School District as of and for the year ended June 30, 2011, and have issued our report thereon dated January 9, 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 Calhoun County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Calhoun County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calhoun County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Calhoun County 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

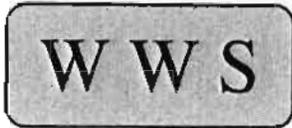
We did note a certain matter that we reported to management of Calhoun County School District in the Independent Auditor's Report on Compliance with State Laws and Regulations dated January 9, 2012. Calhoun County School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Calhoun County School District's response and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 9, 2012

Watkins, Ward & Stafford, PLLC



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**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct
 And Material Effect on Each Major Program and on Internal Control
 Over Compliance in Accordance with OMB Circular A-133**

Independent Auditor's Report

Superintendent and School Board
 Calhoun County School District

Compliance

We have audited Calhoun County School District's compliance with the types of compliance requirements described in the OMB Circular A-133, Compliance Supplement, that could have a direct and material effect on each of Calhoun County School District's major federal programs for the year ended June 30, 2011. Calhoun County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Calhoun County School District's management. Our responsibility is to express an opinion on Calhoun County 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 Calhoun County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Calhoun County School District's compliance with those requirements.

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

Internal Control Over Compliance

Management of Calhoun County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Calhoun County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Calhoun County School District's internal control over compliance.

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 9, 2012

Watkins, Ward and Stafford, PLLC

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



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

Superintendent and School Board
Calhoun County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2011, which collectively comprise Calhoun County School District's basic financial statements and have issued our report thereon dated January 9, 2011. 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 no classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. Finding

The Mississippi Public Employee's Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann (1972), districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our testing of retirees working for the district we noted that PERS Form 4B was not filed for eight retirees for the fiscal year ended June 30, 2011.

This finding occurred due to employee turnover with the new employee not being aware of these regulations.

The retiree's retirement income could be affected by the district not filing PERS Form 4B with PERS upon re-employment of PERS service retirees each year. In addition, Mississippi Public Employees' Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment of the service retiree.

Recommendation

We recommend the district implement procedures to ensure that the district files Form 4B, "Certification/Acknowledgment of Re-employment of Retiree" for all retirees rehired by the district within five days of employment.

School District Response

PERS Form 4B has now been filed for the retirees for fiscal year ended June 30, 2011. The District has implemented procedures to ensure timely filing of PERS Form 4B.

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 9, 2012

Watkins, Ward and Stafford, PLLC

CALHOUN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CALHOUN COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173/84.391/84.392	Special Education Cluster
84.394	ARRA-State Fiscal Stabilization Fund-Education State Grants, Recovery Act
84.410	Education Jobs Fund

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? (yes/no) | Yes |

CALHOUN COUNTY SCHOOL DISTRICT

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

Section II: Financial Statement Findings

Significant deficiencies not considered to be a material weakness

2011-01 Finding

During our substantive testing of prepaid items we noted the amount of \$66,766 recorded as a prepaid item was overstated. The amount recorded as a prepaid item represents the portion of the annual workmen compensation premium that has been paid as of fiscal year end but the expenditure covered a time period in the next fiscal year. Per our testing we determined the prepaid item should have been \$16,979 as of June 30, 2011. An adjustment was proposed to district personnel and the adjustment was made to the financial statements. It was determined the error in recording the prepaid item occurred primarily during the 2008-2009 fiscal year and was due to an error in how the workers compensation premium was posted to the individual funds through the payroll software.

Recommendation

We recommend district personnel review the amount recorded on the fund financial statements as a prepaid item on at least a quarterly basis and determine that the amounts recorded as workmen compensation expense and prepaid are being recorded and posted properly.

School District Response

The District will analyze the prepaid worker's compensation on a quarterly as well as annual basis to determine that the amounts recorded as worker's compensation expense and prepaid are being recorded and posted properly.

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.