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Audited Financial Statements  
June 30, 2011

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

**Drew School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Drew School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Drew School District as of and for the year ended June 30, 2011, which collectively comprise the Drew School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Drew 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 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 Drew School District, as of June 30, 2011, and the respective changes in financial position thereof for the year 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 September 12, 2011, on our consideration of the Drew School District's internal control over financial reporting and 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.

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TELEPHONE 601-992-5292 FAX 601-992-2033

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 Drew 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 compromise the Drew 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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
September 12, 2011

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Drew School District**  
Management Discussion and Analysis  
June 30, 2011

The following discussion and analysis of Drew 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 \$647,465, including a prior period adjustment of \$2,404, which represents a 257% increase from fiscal year 2010. Total net assets for 2010 decreased \$173,705, including a prior period adjustment of \$53,080, which represents a 41% decrease from fiscal year 2009.
- General revenues amounted to \$3,533,284 and \$3,845,353, or 64% and 69% 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 \$1,960,220, or 36% of total revenues for 2011, and \$1,718,738, or 31% of total revenues for 2010.
- The District had \$4,848,443 and \$5,677,534 in expenses for the fiscal years 2011 and 2010; only \$1,960,220 for 2011 and \$1,718,738 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$3,533,284 for 2011 were adequate to provide for these programs. However, general revenues of \$3,845,353 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$3,131,347 in revenues and \$2,643,904 in expenditures for 2011, and \$3,391,843 in revenues and \$3,712,429 in expenditures for 2010. The General Fund's fund balance increased by \$601,903 from 2010 to 2011, and increased by \$89,231, including a prior period adjustment of \$52,451, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$18,516 for 2011 and decreased by \$59,528 for 2010. The decrease for 2011 was due to the recording of depreciation expense.
- Long-term debt increased by \$93,714 for 2011 and increased by \$134,500 for 2010. This increase for 2011 was due primarily to the issuance of a shortfall notes payable. The liability for compensated absences decreased by \$6,610 for 2011 and increased by \$2,664 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.

**Drew School District**  
Management Discussion and Analysis  
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 focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-

**Drew School District**  
Management Discussion and Analysis  
June 30, 2011

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 other non-major funds are combined together 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.

**Drew School District**  
Management Discussion and Analysis  
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 Standard 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 \$899,092 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.

**Drew School District**  
Management Discussion and Analysis  
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	\$ 1,184,857	621,879	91%
Restricted assets	63,921	62,001	3%
Capital assets, net	<u>935,359</u>	<u>953,875</u>	(2)%
<b>Total assets</b>	<u>2,184,137</u>	<u>1,637,755</u>	33%
Current liabilities	213,721	401,908	(47)%
Long-term debt outstanding	<u>1,071,324</u>	<u>984,220</u>	9%
<b>Total liabilities</b>	<u>1,285,045</u>	<u>1,386,128</u>	(7)%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	265,359	203,875	30%
Restricted	411,500	260,318	58%
Unrestricted	<u>222,233</u>	<u>(212,566)</u>	205%
<b>Total net assets</b>	<u>\$ 899,092</u>	<u>251,627</u>	257%

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 \$18,516.
- The principal retirement of \$146,286 of long-term debt.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$5,493,504 and \$5,564,091, respectively. The total cost of all programs and services was \$4,848,443 for 2011 and \$5,677,534 for 2010.

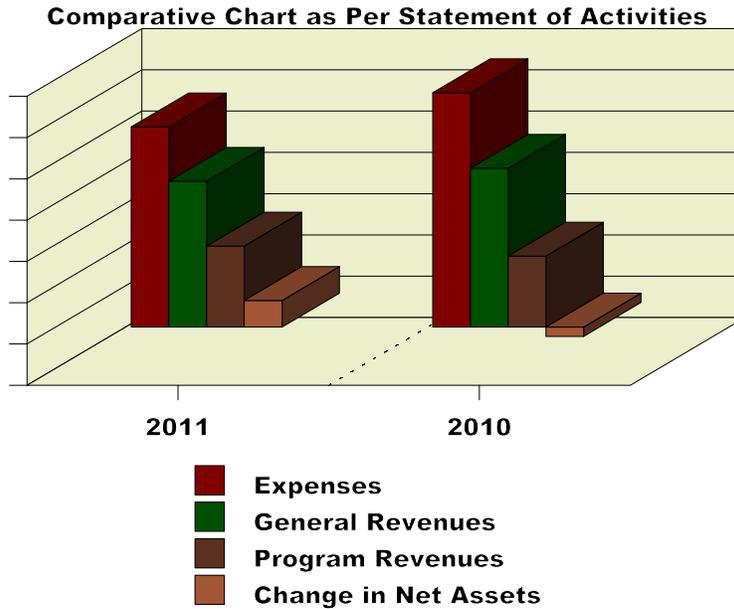
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Drew School District**  
Management Discussion and Analysis  
June 30, 2011

**Table 2**  
**Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 41,985	45,551	(8)%
Operating grants and contributions	1,900,249	1,658,919	15%
Capital grants and contributions	17,986	14,268	26%
Total program revenues	<u>1,960,220</u>	<u>1,718,738</u>	14%
General revenues:			
Property taxes	634,524	670,385	(5)%
Grants and contributions not restricted	2,749,768	3,017,631	(9)%
Unrestricted investment earnings	1	390	(100)%
Sixteenth section sources	129,876	138,316	(6)%
Other	19,115	18,631	3%
Total general revenues	<u>3,533,284</u>	<u>3,845,353</u>	(8)%
<b>Total revenues</b>	<u>5,493,504</u>	<u>5,564,091</u>	(1)%
<b>Expenses:</b>			
Instruction	2,397,591	2,783,584	(14)%
Support services	2,001,663	2,409,751	(17)%
Non-instructional	414,035	433,945	(5)%
Sixteenth section		1,500	(100)%
Interest on long-term debt	35,154	48,754	(28)%
<b>Total expenses</b>	<u>4,848,443</u>	<u>5,677,534</u>	(15)%
Special Items		(112,712)	(100)%
<b>Increase (Decrease) in net assets</b>	<u>645,061</u>	<u>(226,155)</u>	385%
<b>Net Assets, July 1, as originally reported</b>	251,627	424,702	(41)%
<b>Prior Period Adjustment</b>	<u>2,404</u>	<u>53,080</u>	(95)%
<b>Net Assets, July 1, as restated</b>	<u>254,031</u>	<u>477,782</u>	(47)%
<b>Net Assets, June 30</b>	<u>\$ 899,092</u>	<u>251,627</u>	257%

**Drew School District**  
**Management Discussion and Analysis**  
 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**

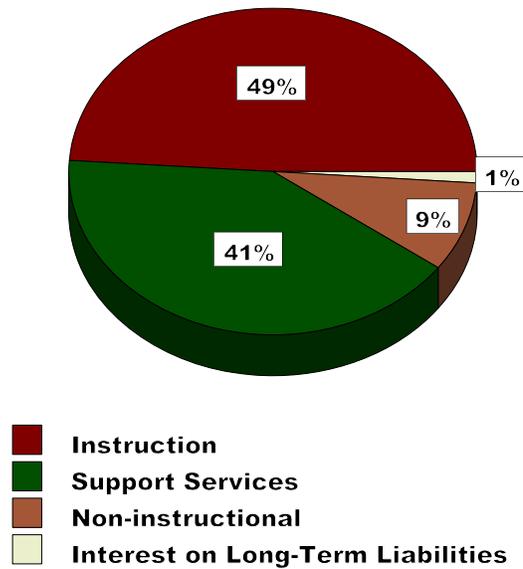
	<u>Total Expenses</u>		<b>Percentage Change</b>
	<b>2011</b>	<b>2010</b>	
Instruction	\$ 2,397,591	2,783,584	(14)%
Support services	2,001,663	2,409,751	(17)%
Non-instructional	414,035	433,945	(5)%
Sixteenth section		1,500	(100)%
Interest on long-term liabilities	35,154	48,754	(28)%
<b>Total expenses</b>	<b>\$ 4,848,443</b>	<b>5,677,534</b>	<b>(15)%</b>

**Drew School District**  
**Management Discussion and Analysis**  
**June 30, 2011**

**Net (Expense) Revenue**

	<b>2011</b>	<b>2010</b>	<b>Percentage Change</b>
Instruction	\$ (1,574,665)	(2,186,591)	(28)%
Support services	(1,304,824)	(1,728,843)	(25)%
Non-instructional	26,420	6,892	283%
Sixteenth section		(1,500)	(100)%
Interest on long-term liabilities	(35,154)	(48,754)	(28)%
<b>Total net (expense) revenue</b>	<b>\$ (2,888,223)</b>	<b>(3,958,796)</b>	<b>(27)%</b>

**Chart of Expenses as Per Statement of Activities**



- Net cost of governmental activities (\$2,888,223 for 2011 and \$3,958,796 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$634,524 for 2011 and \$670,385 for 2010) and state and federal revenues (\$2,749,768 for 2011 and \$3,017,631 for 2010). In addition, there was \$129,876 and \$138,316 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$1 for 2011 and \$390 for 2010.

**Drew School District**  
Management Discussion and Analysis  
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 \$1,045,720, an increase of \$741,677, which includes a decrease in inventory of \$3,401. \$614,336, or 59% 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 \$431,384 or 41% 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 \$601,903. The fund balance of Other Governmental Funds showed an increase in the amount of \$139,774, which includes a decrease in reserve for inventory of \$3,401, due primarily to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Basic Fund	no increase or decrease
Title I ARRA Fund	no increase or decrease
SPED ARRA Fund	no increase or decrease
21 <sup>st</sup> Century Grant Fund	no increase or decrease

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget.

- Budget amounts for revenue from state and federal sources in the General Fund were increased. Amounts originally budgeted were understated.

**Drew School District**  
Management Discussion and Analysis  
June 30, 2011

- Budget amounts for instructional and non-instructional expenditures in the Title I Basic Fund were increased because expenditures were more than the amount originally estimated.

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 \$2,444,354, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$47,595 from 2010. Total accumulated depreciation as of June 30, 2011, was \$1,508,995 and total depreciation expense for the year was \$39,875, resulting in total net capital assets of \$935,359.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 36,500	36,500	0%
Buildings	762,293	789,089	(3)%
Mobile equipment	65,370	83,827	(22)%
Furniture and equipment	71,196	44,459	60%
<b>Total</b>	<b>\$ <u>935,359</u></b>	<b><u>953,875</u></b>	<b>(2)%</b>

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

**Debt Administration.** At June 30, 2011, the District had \$1,071,324 in outstanding long-term debt, of which \$231,360 is due within one year. The liability for compensated absences decreased \$6,610 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	\$ 670,000	750,000	(11)%
Shortfall notes payable	383,214	209,500	83%
Compensated absences payable	18,110	24,720	(27)%
<b>Total</b>	<b>\$ <u>1,071,324</u></b>	<b><u>984,220</u></b>	<b>9%</b>

**Drew School District**  
Management Discussion and Analysis  
June 30, 2011

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

**CURRENT ISSUES**

The Drew School District is financially stable. The District is proud of its community support of its public schools.

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

Enrollment for the 2010-2011 school year decreased by 8% to 496 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Drew School District, 286 West Park Avenue, Drew, MS 38735.

## FINANCIAL STATEMENTS

**DREW SCHOOL DISTRICT**

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 776,706
<i>Due from other governments</i>	399,620
<i>Inventories</i>	8,531
<i>Restricted assets</i>	63,921
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	36,500
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	762,293
<i>Mobile equipment</i>	65,370
<i>Furniture and equipment</i>	71,196
Total Assets	<u>2,184,137</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	128,058
<i>Other Payables</i>	75,000
<i>Interest payable on long-term liabilities</i>	10,663
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	85,000
<i>Non-capital related liabilities</i>	146,360
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	585,000
<i>Non-capital related liabilities</i>	254,964
Total Liabilities	<u>1,285,045</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	265,359
Restricted Net Assets:	
Expendable:	
School-based activities	279,583
Debt service	81,276
Unemployment benefits	19,947
Sixteenth section	1,888
Non-Expendable:	
Sixteenth section	28,806
Unrestricted	222,233
Total Net Assets	<u>\$ 899,092</u>

The accompanying notes are an integral part of this statement.

**DREW SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
<i>Instruction</i>	2,397,591	30,053	774,887	17,986	(1,574,665)
<i>Support services</i>	2,001,663	--	696,839	--	(1,304,824)
<i>Noninstructional services</i>	414,035	11,932	428,523	--	26,420
<i>Interest on long-term liabilities</i>	35,154	--	--	--	(35,154)
Total Governmental Activities	<u>\$ 4,848,443</u>	<u>\$ 41,985</u>	<u>\$ 1,900,249</u>	<u>\$ 17,986</u>	<u>(2,888,223)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					634,524
Unrestricted grants and contributions:					
<i>State</i>					2,530,098
<i>Federal</i>					219,670
<i>Unrestricted investment earnings</i>					1
<i>Sixteenth section sources</i>					129,876
<i>Other</i>					19,115
Total General Revenues					<u>3,533,284</u>
Change in Net Assets					<u>645,061</u>
Net Assets - beginning, as originally reported					251,627
Prior Period Adjustment					2,404
Net Assets - beginning, as restated					<u>254,031</u>
Net Assets - Ending					<u>\$ 899,092</u>

The accompanying notes are an integral part of this statement.

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**DREW SCHOOL DISTRICT**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Title I Basic Fund	Title I ARRA Fund
<b>Assets</b>			
<i>Cash and cash equivalents</i>	\$ 475,903	\$ --	\$ --
<i>Cash with fiscal agents</i>	--	--	--
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	41,096	56,043	118,038
<i>Due from other funds</i>	211,846	--	--
<i>Advances to other funds</i>	2,000	--	--
<i>Inventories</i>	--	--	--
<b>Total Assets</b>	<b>\$ 730,845</b>	<b>\$ 56,043</b>	<b>\$ 118,038</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<i>Accounts payable and accrued liabilities</i>	\$ 32,288	\$ 7,761	\$ 43,690
<i>Due to other funds</i>	--	48,282	74,348
<i>Other payables</i>	75,000	--	--
<b>Total Liabilities</b>	<b>107,288</b>	<b>56,043</b>	<b>118,038</b>
<b>Fund balances:</b>			
<b>Nonspendable:</b>			
<i>Permanent fund principal</i>	--	--	--
<i>Advances</i>	2,000	--	--
<i>Inventory</i>	--	--	--
<b>Restricted:</b>			
<i>Unemployment benefits</i>	--	--	--
<i>Debt service funds</i>	--	--	--
<i>Grant activities</i>	--	--	--
<i>Food service</i>	--	--	--
<i>Sixteenth section</i>	--	--	--
<b>Assigned:</b>			
<i>Permanent fund</i>	--	--	--
<i>Other purposes</i>	7,221	--	--
<b>Unassigned</b>	<b>614,336</b>	<b>--</b>	<b>--</b>
<b>Total Fund Balances</b>	<b>623,557</b>	<b>--</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 730,845</b>	<b>\$ 56,043</b>	<b>\$ 118,038</b>

The accompanying notes are an integral part of this statement.

SPED ARRA Fund	21st Century Grant Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 300,804	\$ 776,707
--	--	8,377	8,377
--	--	55,544	55,544
43,724	55,086	83,633	397,620
--	--	--	211,846
--	--	--	2,000
--	--	8,531	8,531
<u>\$ 43,724</u>	<u>\$ 55,086</u>	<u>\$ 456,889</u>	<u>\$ 1,460,625</u>
\$ 16,271	\$ 5,975	\$ 22,074	\$ 128,059
27,453	49,111	12,652	211,846
--	--	--	75,000
<u>43,724</u>	<u>55,086</u>	<u>34,726</u>	<u>414,905</u>
--	--	28,806	28,806
--	--	--	2,000
--	--	8,531	8,531
--	--	19,947	19,947
--	--	91,939	91,939
--	--	68,303	68,303
--	--	73,703	73,703
--	--	129,046	129,046
--	--	1,888	1,888
--	--	--	7,221
--	--	--	614,336
<u>--</u>	<u>--</u>	<u>422,163</u>	<u>1,045,720</u>
<u>\$ 43,724</u>	<u>\$ 55,086</u>	<u>\$ 456,889</u>	<u>\$ 1,460,625</u>

**DREW SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011*

Total fund balances for governmental funds	\$ 1,045,720
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	935,359
Liabilities due in one year are not reported in the funds.	(231,360)
Payables for bond principal which are not due in the current period are not reported in the funds.	(585,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(10,663)
Payables for notes not due in the current period are not reported in the funds.	(236,854)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(18,110)</u>
Net assets of governmental activities	<u>\$ 899,092</u>

The accompanying notes are an integral part of this statement.

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# DREW SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Title I Basic Fund	Title I ARRA Fund
<b>Revenues:</b>			
Local sources	\$ 669,276	\$ --	\$ --
State sources	2,405,191	--	--
Federal sources	56,880	643,630	176,985
Sixteenth section sources	--	--	--
Total Revenues	<u>3,131,347</u>	<u>643,630</u>	<u>176,985</u>
<b>Expenditures:</b>			
Instruction	1,280,662	220,055	88,101
Support services	1,286,729	329,928	83,884
Noninstructional services	--	72,066	--
Debt service:			
Principal	66,286	--	--
Interest	10,227	--	--
Other	--	--	--
Total Expenditures	<u>2,643,904</u>	<u>622,049</u>	<u>171,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>487,443</u>	<u>21,581</u>	<u>5,000</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds of loans	240,000	--	--
Transfers in	56,739	--	--
Other financing sources	12,102	--	--
Transfers out	(194,381)	(21,581)	(5,000)
Total Other Financing Sources (Uses)	<u>114,460</u>	<u>(21,581)</u>	<u>(5,000)</u>
Net Change in Fund Balances	601,903	--	--
<b>Fund Balances:</b>			
July 1, 2010	21,654	--	--
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2011	<u>\$ 623,557</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

SPED ARRA Fund	21st Century Grant Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 17,665	\$ 686,941
--	--	189,139	2,594,330
78,952	229,305	884,503	2,070,255
--	--	129,876	129,876
<u>78,952</u>	<u>229,305</u>	<u>1,221,183</u>	<u>5,481,402</u>
72,087	156,273	578,065	2,395,243
--	59,365	233,782	1,993,688
--	--	334,581	406,647
--	--	80,000	146,286
--	--	35,750	45,977
--	--	585	585
<u>72,087</u>	<u>215,638</u>	<u>1,262,763</u>	<u>4,988,426</u>
<u>6,865</u>	<u>13,667</u>	<u>(41,580)</u>	<u>492,976</u>
--	--	--	240,000
--	--	194,381	251,120
--	--	--	12,102
<u>(6,865)</u>	<u>(13,667)</u>	<u>(9,626)</u>	<u>(251,120)</u>
<u>(6,865)</u>	<u>(13,667)</u>	<u>184,755</u>	<u>252,102</u>
--	--	143,175	745,078
--	--	282,389	304,043
--	--	(3,401)	(3,401)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 422,163</u>	<u>\$ 1,045,720</u>

**DREW SCHOOL DISTRICT**

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

Net change in fund balances - total governmental funds	\$ 745,078
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	18,955
The depreciation of capital assets used in governmental activities is not reported in the funds.	(39,875)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	80,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	66,286
(Increase) decrease in accrued interest from beginning of period to end of period.	11,408
Change in inventory affects fund balance in the funds but affects expense in SOA.	(3,401)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	6,610
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(240,000)</u>
Change in net assets of governmental activities	<u>\$ 645,061</u>

The accompanying notes are an integral part of this statement.

**DREW SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

## FIDUCIARY FUNDS

JUNE 30, 2011

	Agency Funds
<b>Assets</b>	
<i>Cash and other deposits</i>	\$ 186,596
<b>Total Assets</b>	<u>\$ 186,596</u>
<b>LIABILITIES</b>	
<b>Liabilities</b>	
<i>Accounts Payable &amp; Accrued Liabilities</i>	\$ 181,682
<i>Due to student clubs</i>	2,914
<i>Advances from other funds</i>	2,000
<b>Total Liabilities</b>	<u>\$ 186,596</u>

The accompanying notes are an integral part of this statement.

**Drew School District**

Notes to the Financial Statements  
June 30, 2011

## **Drew School District**

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

### **Note 1 - Summary of Significant Accounting Policies**

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

#### **A. Basis of Presentation**

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

#### **B. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Drew since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Drew 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

## Drew School District

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

these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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.

## Drew School District

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

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

Title I ARRA Fund - This is a special revenue fund that accounts for federal funds received under the American Recovery and Reinvestment Act (ARRA), which provides additional funding for programs under Title I Part A to assist in the instruction of students from families that live in poverty.

SPED ARRA Fund - This is a special revenue fund that accounts for federal funds received under the American Recovery and Reinvestment Act (ARRA) and resources related to the education of children with disabilities.

21st Century Grant Fund - This is a special revenue fund that is intended to help students meet state and local standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that should complement their regular academic programs; and offers literacy and other educational services to the families of participating children.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

## Drew School District

Notes to the Financial Statements  
For the 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. 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.

## Drew School District

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are 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.

## Drew School District

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

### **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 Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 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.

## Drew School District

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

**Drew School District**

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

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

7. **Compensated Absences**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so 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 and Deferred Debt Expense**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Currently there are no bond issue costs, bond discounts or premiums presented in this report.

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.

## Drew School District

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

#### 9. Fund Balances

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

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

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

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

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

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent 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 is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it

## **Drew School District**

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

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

### **Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

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

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

## Drew School District

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

#### 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 \$776,707 and \$186,596, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions 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 \$1,153,468 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$8,377.

#### Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities Money Market Fund, Class A	Unrated	Not applicable	\$ 30,694
Hancock Horizon Treasury Securities Money Market Fund, Class A	Unrated	Not applicable	24,850
Total Investments			<u>\$ 55,544</u>

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

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

**Drew School District**

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

investments in the Hancock Horizon Treasury Securities Money Market Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Hancock Horizon Treasury Securities Money Securities Money Market Class A	\$ 30,694	55%
Hancock Horizon Treasury Securities Money Securities Money Market Class A	<u>24,850</u>	45%
	\$ <u><u>55,544</u></u>	

**Note 3 - Interfund Receivables, Payables, and Transfers**

The following is a summary of interfund transactions and balances:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Basic Fund	\$ 48,282
	Title I ARRA Fund	74,348
	SPED ARRA Fund	27,453
	21 <sup>st</sup> Century Grant Fund	49,111
	Other Governmental Funds	<u>12,652</u>
Total		\$ <u><u>211,846</u></u>

The purpose of the Due From/To other funds balances was to cover deficit cash balances.

All balances are expected to be repaid within one year from the date of the financial statements.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary Funds	\$ <u>2,000</u>
Total		\$ <u><u>2,000</u></u>

Advances were for cash flow purposes.

## Drew School District

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

### C. Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I Basic Fund	\$ 21,581
	Title I ARRA Fund	5,000
	SPED ARRA Fund	6,865
	21st Century Grant Fund	13,667
	Other Governmental Funds	9,626
Other Governmental Funds	General Fund	194,381
Total		<u>\$ 251,120</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

The restricted assets represent the cash and investment balance, totaling \$8,377 and \$24,850, respectively, of the MAEP Limited Obligation Bond Fund.

In addition, the restricted assets represent the investment balance, totaling \$30,694 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

### Note 5 - Capital Assets

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

	Balance 7-1-2010	Additions	Adjustments	Balance 6-30-2011
<u>Non-depreciable capital assets</u>				
Land	\$ 36,500			36,500
Total non-depreciable capital assets	36,500	0	0	36,500
<u>Depreciable capital assets:</u>				
Buildings	1,805,997			1,805,997
Mobile equipment	274,243			274,243
Furniture and equipment	280,019	18,955	28,640	327,614
Total depreciable capital assets	2,360,259	18,955	28,640	2,407,854
<u>Less accumulated depreciation for:</u>				
Buildings	1,016,908	26,796		1,043,704
Mobile equipment	190,416	8,034	10,423	208,873
Furniture and equipment	235,560	5,045	15,813	256,418
Total accumulated depreciation	1,442,884	39,875	26,236	1,508,995
Total depreciable capital assets, net	917,375	(20,920)	2,404	898,859
Governmental activities capital assets, net	\$ 953,875	(20,920)	2,404	935,359

**Drew School District**

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

Adjustments were made to mobile equipment and furniture and equipment to correctly present capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instructional	\$ 27,913
Support services	7,975
Non-instructional	3,987
Total depreciation expense	<u>\$ 39,875</u>

**Note 6 - Long-Term Liabilities**

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

		Balance 7-1-2010	Additions	Reductions	Balance 6-30-2011	Amounts due within one year
A. Limited obligation bonds payable	\$	750,000		80,000	670,000	85,000
B. Shortfall notes payable		209,500	240,000	66,286	383,214	146,360
C. Compensated absences payable		24,720		6,610	18,110	
Total	\$	<u>984,220</u>	<u>240,000</u>	<u>152,896</u>	<u>1,071,324</u>	<u>231,360</u>

**A. Limited obligations bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement	4.8%	03-17-1998	03-17-2018	\$ 1,335,000	670,000
Total				<u>\$ 1,335,000</u>	<u>670,000</u>

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

**Drew School District**

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

Year Ending June 30		Principal	Interest	Total
2012	\$	85,000	31,990	116,990
2013		85,000	27,994	112,994
2014		90,000	24,000	114,000
2015		95,000	17,400	112,400
2016		100,000	15,120	115,120
2017-2018		215,000	35,280	250,280
Total	\$	<u>670,000</u>	<u>151,784</u>	<u>821,784</u>

This debt will be retired from the MAEP Bond 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.

**B. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes payable	4.95%	6-24-2010	6-24-2013	\$ 209,500	143,214
Shortfall notes payable	4.40%	6-30-2011	6-30-2014	240,000	240,000
Total				\$ <u>449,500</u>	<u>383,214</u>

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

1. Shortfall notes payable issue of June 2010:

Year Ending June 30		Principal	Interest	Total
2012	\$	69,779	7,089	76,868
2013		73,435	3,620	77,055
Total	\$	<u>143,214</u>	<u>10,709</u>	<u>153,923</u>

This debt will be retired from the District Maintenance Fund.

## Drew School District

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

#### 2. Shortfall notes payable issue of June 2011:

Year Ending June 30		Principal	Interest	Total
2012	\$	76,581	10,560	87,141
2013		79,951	7,190	87,141
2014		83,468	3,673	87,141
Total	\$	<u>240,000</u>	<u>21,423</u>	<u>261,423</u>

This debt will be retired from the District Maintenance Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30		Principal	Interest	Total
2012	\$	146,360	17,649	164,009
2013		153,386	10,810	164,196
2014		83,468	3,673	87,141
Total	\$	<u>383,214</u>	<u>32,132</u>	<u>415,346</u>

#### C. 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 supplemental 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.

## Drew School District

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

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 \$296,713, \$360,829, and \$362,712, respectively, which equaled the required contributions for each year.

#### Note 8 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general

supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and 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 users 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	\$	11,577
2013		11,577
Total	\$	<u>23,154</u>

#### Note 9 - Contingencies

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

#### Note 10 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these

## **Drew School District**

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

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 member's 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 the 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 11 - Short -Term Financing**

During the fiscal year ended June 30, 2011, the Drew School District participated in the following short-term financing(s) for the purpose of cash flow needs.

A. Bank-financed short term debt

The Drew School District issued a revenue anticipation note payable to Southern Bancorp, and the proceeds from such issuance are accounted for as a current liability in the fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

B. Changes in short-term debt activity recorded in the governmental activities during the fiscal year 2011 are as follows:

**Drew School District**

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

	Balance 07-01-10	Additions	Reduction	Balance 06-30-11
Revenue anticipation note payable	\$ 75,000		75,000	0
Revenue anticipation note payable		75,000		75,000
Total	\$ 75,000	75,000	75,000	75,000

**Note 12 - Prior Period Adjustments**

A summary of significant fund equity adjustments are as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 Adjustments were made to mobile equipment and furniture and equipment to correctly present capital assets.	\$ 2,404
	\$ 2,404

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REQUIRED SUPPLEMENTAL INFORMATION

**DREW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2011

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,046,345	919,350	669,276	(126,995)	(250,074)
State sources	2,143,961	2,405,190	2,405,191	261,229	1
Federal sources	36,800	56,880	56,880	20,080	0
Total Revenues	<u>3,227,106</u>	<u>3,381,420</u>	<u>3,131,347</u>	<u>154,314</u>	<u>(250,073)</u>
<b>Expenditures:</b>					
Instruction	1,403,313	1,282,059	1,280,662	121,254	1,397
Support services	1,681,749	1,286,730	1,286,729	395,019	1
Noninstructional services	736			736	0
Debt service:					
Principal		66,488	66,286	(66,488)	202
Interest		10,025	10,227	(10,025)	(202)
Total Expenditures	<u>3,085,798</u>	<u>2,645,302</u>	<u>2,643,904</u>	<u>440,496</u>	<u>1,398</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>141,308</u>	<u>736,118</u>	<u>487,443</u>	<u>594,810</u>	<u>(248,675)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of Loans			240,000	0	240,000
Transfers In	636,118	346,098	56,739	(290,020)	(289,359)
Other financing sources		12,102	12,102	12,102	0
Transfers Out	(608,107)	(483,740)	(194,381)	124,367	289,359
Total Other Financing Sources (Uses)	<u>28,011</u>	<u>(125,540)</u>	<u>114,460</u>	<u>(153,551)</u>	<u>240,000</u>
Net Change in Fund Balances	<u>169,319</u>	<u>610,578</u>	<u>601,903</u>	<u>441,259</u>	<u>(8,675)</u>
<b>Fund Balances:</b>					
July 1, 2010	<u>(27,516)</u>	<u>23,053</u>	<u>21,654</u>	<u>50,569</u>	<u>(1,399)</u>
June 30, 2011	<u>\$ 141,803</u>	<u>633,631</u>	<u>623,557</u>	<u>491,828</u>	<u>(10,074)</u>

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

**DREW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I Basic Fund  
 For the Year Ended June 30, 2011

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 975,000	643,630	643,630	(331,370)	0
Total Revenues	<u>975,000</u>	<u>643,630</u>	<u>643,630</u>	<u>(331,370)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	131,018	220,056	220,055	(89,038)	1
Support services	388,584	329,927	329,928	58,657	(1)
Noninstructional services	51,640	72,066	72,066	(20,426)	0
Total Expenditures	<u>571,242</u>	<u>622,049</u>	<u>622,049</u>	<u>(50,807)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>403,758</u>	<u>21,581</u>	<u>21,581</u>	<u>(382,177)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(35,385)	(21,581)	(21,581)	13,804	0
Total Other Financing Sources (Uses)	<u>(35,385)</u>	<u>(21,581)</u>	<u>(21,581)</u>	<u>13,804</u>	<u>0</u>
Net Change in Fund Balances	<u>368,373</u>	<u>0</u>	<u>0</u>	<u>(368,373)</u>	<u>0</u>
Fund Balances:					
July 1, 2010	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 368,373</u>	<u>0</u>	<u>0</u>	<u>(368,373)</u>	<u>0</u>

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

**DREW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I ARRA Fund  
 For the Year Ended June 30, 2011

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 349,377	176,985	176,985	(172,392)	0
Total Revenues	<u>349,377</u>	<u>176,985</u>	<u>176,985</u>	<u>(172,392)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	86,000	88,101	88,101	(2,101)	0
Support services	172,299	83,884	83,884	88,415	0
Noninstructional services	4,500			4,500	0
Total Expenditures	<u>262,799</u>	<u>171,985</u>	<u>171,985</u>	<u>90,814</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>86,578</u>	<u>5,000</u>	<u>5,000</u>	<u>(81,578)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(25,990)	(5,000)	(5,000)	20,990	0
Total Other Financing Sources (Uses)	<u>(25,990)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>20,990</u>	<u>0</u>
Net Change in Fund Balances	<u>60,588</u>	<u>0</u>	<u>0</u>	<u>(60,588)</u>	<u>0</u>
Fund Balances:					
July 1, 2010	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 60,588</u>	<u>0</u>	<u>0</u>	<u>(60,588)</u>	<u>0</u>

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

**DREW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 SPED ARRA Fund  
 For the Year Ended June 30, 2011

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 125,400	78,952	78,952	(46,448)	0
Total Revenues	125,400	78,952	78,952	(46,448)	0
<b>Expenditures:</b>					
Instruction	88,115	72,087	72,087	16,028	0
Support services	15,000			15,000	0
Noninstructional services	4,000			4,000	0
Total Expenditures	107,115	72,087	72,087	35,028	0
Excess (Deficiency) of Revenues Over Expenditures	18,285	6,865	6,865	(11,420)	0
<b>Other Financing Sources (Uses):</b>					
Transfers out	(9,200)	(6,865)	(6,865)	2,335	0
Total Other Financing Sources (Uses)	(9,200)	(6,865)	(6,865)	2,335	0
Net Change in Fund Balances	9,085	0	0	(9,085)	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	\$ 9,085	0	0	(9,085)	0

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

**DREW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 21st Century Grant Fund  
 For the Year Ended June 30, 2011

Exhibit 5

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 207,250	229,305	229,305	22,055	0
Total Revenues	<u>207,250</u>	<u>229,305</u>	<u>229,305</u>	<u>22,055</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	11,875	156,273	156,273	(144,398)	0
Support services	18,014	59,365	59,365	(41,351)	0
Noninstructional services	1,200			1,200	0
Total Expenditures	<u>31,089</u>	<u>215,638</u>	<u>215,638</u>	<u>(184,549)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>176,161</u>	<u>13,667</u>	<u>13,667</u>	<u>(162,494)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(11,927)	(13,667)	(13,667)	(1,740)	0
Total Other Financing Sources (Uses)	<u>(11,927)</u>	<u>(13,667)</u>	<u>(13,667)</u>	<u>(1,740)</u>	<u>0</u>
Net Change in Fund Balances	<u>164,234</u>	<u>0</u>	<u>0</u>	<u>(164,234)</u>	<u>0</u>
Fund Balances:					
July 1, 2010	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 164,234</u>	<u>0</u>	<u>0</u>	<u>(164,234)</u>	<u>0</u>

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

## **Drew School District**

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

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

## SUPPLEMENTAL INFORMATION

**DREW SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 129,826
National School Lunch Program	10.555	282,398
Total Child Nutrition cluster		412,224
Total passed-through the Mississippi Department of Education		412,224
<b>Total U.S. Department of Agriculture</b>		412,224
 <b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	36,741
<b>Total Federal Communications Commission</b>		36,741
 <b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	643,630
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	176,985
Total Title I Cluster		820,615
Safe and Drug - Free Schools and Communities - State Grants	84.186	6,931
Twenty First Century Grant	84.287	229,305
Improving Teacher Quality State Grants	84.367	58,010
Education Jobs Fund	84.410	121,562
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	162,790
Subtotal		578,598
Special Education Cluster:		
Special Education - Grants to States	84.027	118,233
Special Education - Preschool Grants	84.173	3,981
ARRA - Special Education Grants to States, Recovery Act	84.391	78,952
ARRA - Special Education Preschool Grants, Recovery Act	84.392	3,269
Total Special Education Cluster		204,435
Total passed-through the Mississippi Department of Education		1,603,648
<b>Total U.S. Department of Education</b>		1,603,648
Total for All Federal Awards		\$ <u><u>2,052,613</u></u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and significant accounting policies, 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.

**Drew School District**

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 3,536,149	2,464,191	355,604	217,012	499,342
Other	1,452,277	548,057	198,432	3,333	702,455
Total	\$ 4,988,426	3,012,248	554,036	220,345	1,201,797
 Total number of students *	 496				
Cost per student	\$ 10,057	6,073	1,117	444	2,423

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

1. Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration; Support Services - Business.
3. School Administration - includes expenditures for the following functions: Support Services - School Administration.
4. 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 SUPPLEMENTAL INFORMATION

**DREW SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 669,276	707,039	887,986	856,318
State sources	2,405,191	2,648,361	2,879,326	3,118,340
Federal sources	56,880	36,443	28,768	40
Total Revenues	<u>3,131,347</u>	<u>3,391,843</u>	<u>3,796,080</u>	<u>3,974,698</u>
<b>Expenditures:</b>				
Instruction	1,280,662	1,969,555	2,271,278	2,231,438
Support services	1,286,729	1,739,904	1,919,139	1,901,324
Noninstructional services		2,970	18,944	982
Debt service:				
Principal	66,286			
Interest	10,227			
Other			76,215	
Total Expenditures	<u>2,643,904</u>	<u>3,712,429</u>	<u>4,285,576</u>	<u>4,133,744</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>487,443</u>	<u>(320,586)</u>	<u>(489,496)</u>	<u>(159,046)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	240,000	209,500		
Operating transfers in	56,739	279,187	299,689	148,337
Other financing sources	12,102			
Operating transfers out	(194,381)	(18,609)	(174,123)	(97,622)
Total Other Financing Sources (Uses)	<u>114,460</u>	<u>470,078</u>	<u>125,566</u>	<u>50,715</u>
Special items		<u>(112,712)</u>		
Net Change in Fund Balances	<u>601,903</u>	<u>36,780</u>	<u>(363,930)</u>	<u>(108,331)</u>
<b>Fund Balances:</b>				
July 1, as originally reported	21,654	(67,577)	296,353	404,684
Prior Period Adjustments		52,451		
July 1, as restated	<u>21,654</u>	<u>(15,126)</u>	<u>296,353</u>	<u>404,684</u>
June 30,	<u>\$ 623,557</u>	<u>21,654</u>	<u>(67,577)</u>	<u>296,353</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**DREW SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 686,941	731,456	917,190	885,388
State sources	2,594,330	2,822,930	3,072,071	3,298,229
Federal sources	2,070,255	1,871,389	1,177,040	1,492,811
Sixteenth section sources	129,876	138,316	129,827	126,713
Total Revenues	<u>5,481,402</u>	<u>5,564,091</u>	<u>5,296,128</u>	<u>5,803,141</u>
<b>Expenditures:</b>				
Instruction	2,395,243	2,776,972	2,612,280	2,878,809
Support services	1,993,688	2,360,374	2,373,785	2,490,860
Noninstructional services	406,647	431,458	480,748	396,386
Sixteenth section		1,500		165
Debt service:				
Principal	146,286	75,000	70,000	70,000
Interest	45,977	39,200	42,420	46,646
Other	585	550	78,340	
Total Expenditures	<u>4,988,426</u>	<u>5,685,054</u>	<u>5,657,573</u>	<u>5,882,866</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>492,976</u>	<u>(120,963)</u>	<u>(361,445)</u>	<u>(79,725)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	240,000	209,500		
Operating transfers in	251,120	297,797	473,812	245,958
Other financing sources	12,102			
Operating transfers out	<u>(251,120)</u>	<u>(297,797)</u>	<u>(473,812)</u>	<u>(245,958)</u>
Total Other Financing Sources (Uses)	<u>252,102</u>	<u>209,500</u>	<u>0</u>	<u>0</u>
Special items		<u>(112,712)</u>		
Net Change in Fund Balances	<u>745,078</u>	<u>(24,175)</u>	<u>(361,445)</u>	<u>(79,725)</u>
<b>Fund Balances:</b>				
July 1, as originally reported	304,043	271,422	635,234	715,485
Prior Period Adjustments		53,080		
July 1, as restated	<u>304,043</u>	<u>324,502</u>	<u>635,234</u>	<u>715,485</u>
Increase (Decrease) in reserve for inventory	<u>(3,401)</u>	<u>3,716</u>	<u>(2,367)</u>	<u>(526)</u>
June 30,	<u>\$ 1,045,720</u>	<u>304,043</u>	<u>271,422</u>	<u>635,234</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Drew School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Drew School District as of and for the year ended June 30, 2011, which collectively comprise the Drew School District's basic financial statements and have issued our report thereon dated September 12, 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.

**Internal Control Over Financial Reporting**

Management of the Drew School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

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BRANDON, MISSISSIPPI 39047  
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## Compliance and Other Matters

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
September 12, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Drew School District

**Compliance**

We have audited Drew School District 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 its major federal programs for the year ended June 30, 2011. The Drew School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

**Internal Control Over Compliance**

Management of the Drew School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Drew School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and

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report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding **2011-1**. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Drew School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Drew School District's response and, accordingly, we express no opinion on it.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
September 12, 2011

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Drew School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Drew School District as of and for the year ended June 30, 2011, which collectively comprise Drew School District's basic financial statements and have issued our report thereon dated September 12, 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 ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$65,967 of classroom supply funds carried over from previous years.

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

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

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
September 12, 2011

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Drew 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? No.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

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

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

## Section II: Financial Statement Findings

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

## Section III: Findings and Questioned Costs for Federal Awards

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

### **Significant Deficiency:**

Title I Cluster: CFDA# 84.010 & 84.389

Compliance requirement: Allowable cost

### Finding 2011-1:

During the course our audit, we noted the Title I Director salary was charged for 98% of Director's salary instead of 90% as approved in budget. Controls were not in place to ensure prorated salaries are correctly charged in accordance with grant budget.

### Recommendation:

The District should implement controls to monitor salary pro-rated amounts to ensure they are in compliance with grant budget.

Questioned Cost: None

AUDITEE'S CORRECTIVE ACTION PLAN

**Drew School District**  
286 West Park Avenue  
Drew, MS 38737  
**Mr. Charles Barron - Interim Superintendent**  
**Larry Bell - Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding  
2011-1

Corrective Action Plan Details

a. Name of Contact Person Responsible for Corrective Action

Name: Larry Bell  
Phone Number: 662-745-6657

b. Corrective Action Planned:

The District will implement controls to monitor salary pro-rated amounts to ensure they are in compliance with grant budget.

c. Anticipated Completion Date:

6/30/2012