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Enterprise School District

Audited Financial Statements
June 30, 2011

Fortenberry & Ballard, PC
Certified Public Accountants

**Enterprise 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
Enterprise School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of the Enterprise School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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 Enterprise 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 Enterprise 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
December 21, 2011

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Enterprise 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 \$989,727, which represents a 16% increase from fiscal year 2010. Total net assets for 2010 increased \$224,784, which represents a 4% increase from fiscal year 2009.
- General revenues amounted to \$6,372,645 and \$6,367,842, or 80% and 82% 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 \$1,570,335, or 20% of total revenues for 2011, and \$1,412,851, or 18% of total revenues for 2010.
- The District had \$6,953,253 and \$7,555,909 in expenses for fiscal years 2011 and 2010; only \$1,570,335 for 2011 and \$1,412,851 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$6,372,645 for 2011 and \$6,367,842 for 2010 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$5,969,205 in revenues and \$5,550,676 in expenditures for 2011, and \$5,540,560 in revenues and \$5,915,317 in expenditures for 2010. The General Fund's fund balance increased by \$710,775 from 2010 to 2011, and decreased by \$283,587 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$759,949 for 2011 and increased by \$4,291 for 2010. The increase for 2011 was due to the additions to construction in progress and mobile equipment.
- Long-term debt increased by \$1,549,000 for 2011 and decreased by \$189,395 for 2010. This increase for 2011 was due to the issuance of qualified school construction bonds in the amount of \$2,000,000. The liability for compensated absences decreased by \$7,914 for 2011 and decreased by \$8,147 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.

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

Government-wide Financial Statements

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

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

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

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

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

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

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. 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.

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$7,261,866 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.

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

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 3,084,672	3,073,615	0%
Restricted assets	2,819,888	1,061,825	166%
Capital assets, net	<u>5,110,005</u>	<u>4,350,056</u>	17%
Total assets	<u>11,014,565</u>	<u>8,485,496</u>	30%
Current liabilities	3,719	5,463	(32)%
Long-term debt outstanding	<u>3,748,980</u>	<u>2,207,894</u>	70%
Total liabilities	<u>3,752,699</u>	<u>2,213,357</u>	70%
Net assets:			
Invested in capital assets, net of related debt	1,410,005	2,199,056	(36)%
Restricted	4,578,349	3,518,260	30%
Unrestricted	<u>1,273,512</u>	<u>554,823</u>	130%
Total net assets	<u>\$ 7,261,866</u>	<u>6,272,139</u>	16%

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

- Increase in net capital assets in the amount of \$759,949.
- The principal retirement of \$451,000 of long-term debt.
- The issuance of qualified school construction bonds payable in the amount of \$2,000,000.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$7,942,980 and \$7,780,693, respectively. The total cost of all programs and services was \$6,953,253 for 2011 and \$7,555,909 for 2010.

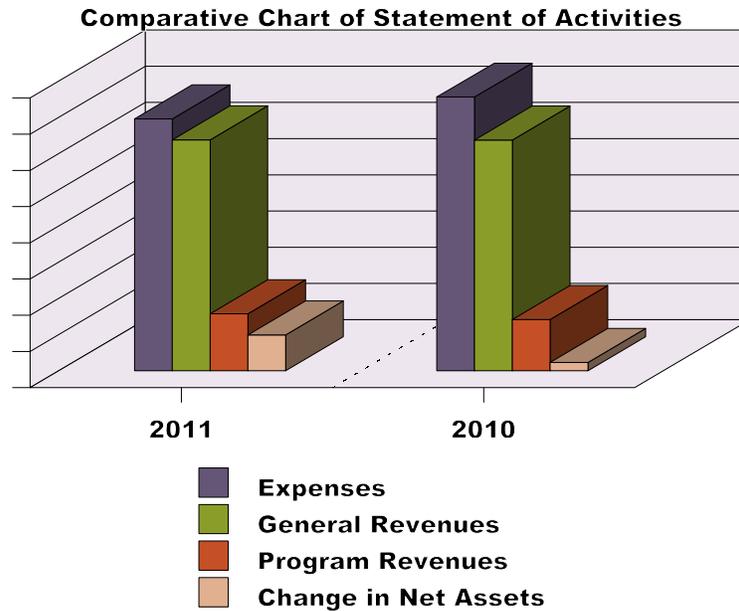
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

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

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 404,337	441,660	(8)%
Operating grants and contributions	<u>1,165,998</u>	<u>971,191</u>	20%
Total program revenues	<u>1,570,335</u>	<u>1,412,851</u>	11%
General revenues:			
Property taxes	2,093,215	2,052,366	2%
Grants and contributions not restricted	3,961,457	3,724,452	6%
Unrestricted investment earnings	80,866	49,780	62%
Sixteenth section sources	115,527	418,556	(72)%
Other	<u>121,580</u>	<u>122,688</u>	(1)%
Total general revenues	<u>6,372,645</u>	<u>6,367,842</u>	0%
Total revenues	<u>7,942,980</u>	<u>7,780,693</u>	2%
Expenses:			
Instruction	4,423,282	4,843,266	(9)%
Support services	2,063,391	2,013,733	2%
Non-instructional	426,087	455,547	(6)%
Sixteenth section	31,979	94,549	(66)%
Interest on long-term debt	<u>8,514</u>	<u>148,814</u>	(94)%
Total expenses	<u>6,953,253</u>	<u>7,555,909</u>	(8)%
Increase (Decrease) in net assets	989,727	224,784	340%
Net Assets, July 1	<u>6,272,139</u>	<u>6,047,355</u>	4%
Net Assets, June 30	<u>\$ <u>7,261,866</u></u>	<u>6,272,139</u>	16%

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



Governmental activities

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

Table 3
Net Cost of Governmental Activities

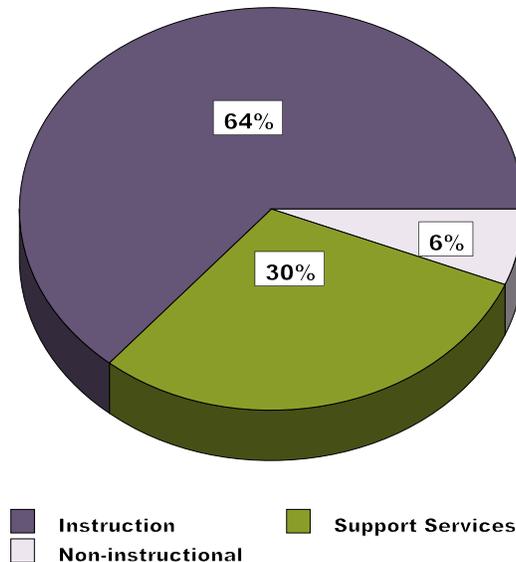
	<u>Total Expenses</u>		Percentage Change
	2011	2010	
Instruction	\$ 4,423,282	4,843,266	(9)%
Support services	2,063,391	2,013,733	2%
Non-instructional	426,087	455,547	(6)%
Sixteenth section	31,979	94,549	(66)%
Interest on long-term liabilities	8,514	148,814	(94)%
Total expenses	\$ 6,953,253	7,555,909	(8)%

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

Net (Expense) Revenue

	2011	2010	Percentage Change
Instruction	\$ (3,600,704)	(4,207,070)	(14)%
Support services	(1,769,234)	(1,767,434)	0%
Non-instructional	27,513	9,531	189%
Sixteenth section	(31,979)	(29,271)	9%
Interest on long-term liabilities	(8,514)	(148,814)	(94)%
Total net (expense) revenue	\$ (5,382,918)	(6,143,058)	(12)%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$5,382,918 for 2011 and \$6,143,058 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,093,215 for 2011 and \$2,052,366 for 2010) and state and federal revenues of (\$3,961,457 for 2011 and \$3,724,452 for 2010). In addition, there was \$115,527 and \$418,556 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$80,866 for 2011 and \$49,780 for 2010.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,904,560, an increase of \$1,769,120, which includes a decrease in inventory of \$583. \$1,091,559, or 18% 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 \$4,813,001 or 82% 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 \$710,775. The fund balance of Other Governmental Funds showed an increase in the amount of \$68,979, which includes a decrease in reserve for inventory of \$583 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)
Sixteenth Section Interest Fund	\$ (716,948)
QZAB Fund	178,660
QSCB Fund	1,527,654

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from state sources in the General Fund were increased to better reflect revenues received during the fiscal year. Amounts originally budgeted were understated.
- Budget amounts for revenue from sixteenth section sources in the Sixteenth Section Interest Fund were decreased to better reflect revenues received during the fiscal year.

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

Amounts originally budgeted were overstated.

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 fund 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 \$7,060,887, including land, construction in progress, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$838,999 from 2010. Total accumulated depreciation as of June 30, 2011, was \$1,950,882, and total depreciation expense for the year was \$155,349, resulting in total net capital assets of \$5,110,005.

Table 4
Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 155,430	155,430	0%
Construction in progress	775,073		
Buildings	3,660,922	3,750,286	(2)%
Improvements other than buildings	72,038	76,887	(6)%
Mobile equipment	417,507	332,575	26%
Furniture and equipment	29,035	34,878	(17)%
Total	<u>\$ 5,110,005</u>	<u>4,350,056</u>	<u>17%</u>

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 \$3,748,980 in outstanding long-term debt, of which \$0 is due within one year. During the fiscal year, the District received proceeds from the issuance of a qualified school construction bonds in the amount of \$2,000,000. The liability for compensated absences decreased \$7,914 from the prior year.

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

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Certificates of participation payable	\$ 0	451,000	(100)%
Qualified zone academy bonds payable	1,700,000	1,700,000	0%
Qualified school construction bonds payable	2,000,000	0	
Compensated absences payable	48,980	56,894	(14)%
Total	<u>\$ 3,748,980</u>	<u>2,207,894</u>	<u>70%</u>

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

CURRENT ISSUES

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

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

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

Enrollment for the 2010- 2011 year increased by 5% to 975 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Enterprise School District, 503 River Road, Enterprise, MS 39330.

FINANCIAL STATEMENTS

ENTERPRISE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets	
<i>Cash and cash equivalents</i>	\$ 2,474,365
<i>Investments</i>	520,653
<i>Due from other governments</i>	79,122
<i>Inventories</i>	10,532
<i>Restricted assets</i>	2,819,888
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	155,430
<i>Construction in progress</i>	775,073
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	3,660,922
<i>Improvements other than buildings</i>	72,038
<i>Mobile equipment</i>	417,507
<i>Furniture and equipment</i>	29,035
Total Assets	<u>11,014,565</u>
Liabilities	
<i>Interest payable on long-term liabilities</i>	3,719
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	3,700,000
<i>Non-capital related liabilities</i>	48,980
Total Liabilities	<u>3,752,699</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,410,005
Restricted For:	
Expendable:	
School - based activities	1,462,218
Debt Service	2,915,089
Forestry Improvements	43,809
Unemployment Benefits	52,360
Sixteenth section	50,435
Non-expendable:	
Sixteenth section	54,438
Unrestricted	1,273,512
Total Net Assets	<u>\$ 7,261,866</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	4,423,282	198,913	623,665	(3,600,704)
<i>Support services</i>	2,063,391	15,518	278,639	(1,769,234)
<i>Noninstructional services</i>	426,087	189,906	263,694	27,513
<i>Sixteenth section</i>	31,979	--	--	(31,979)
<i>Interest on long-term liabilities</i>	8,514	--	--	(8,514)
Total Governmental Activities	<u>\$ 6,953,253</u>	<u>\$ 404,337</u>	<u>\$ 1,165,998</u>	<u>(5,382,918)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				1,968,504
<i>Debt purpose levies</i>				124,711
Unrestricted grants and contributions:				
<i>State</i>				3,699,034
<i>Federal</i>				262,423
<i>Unrestricted investment earnings</i>				80,866
<i>Sixteenth section sources</i>				115,527
<i>Other</i>				121,580
Total General Revenues				<u>6,372,645</u>
Change in Net Assets				<u>989,727</u>
Net Assets - Beginning				6,272,139
Net Assets - Ending				<u>\$ 7,261,866</u>

The accompanying notes are an integral part of this statement.

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ENTERPRISE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2011

	General Fund	Sixteenth Section Interest Fund
	<u> </u>	<u> </u>
Assets		
<i>Cash and cash equivalents</i>	\$ 1,249,635	\$ 786,131
<i>Cash with fiscal agents</i>	--	--
<i>Investments</i>	--	520,653
<i>Due from other governments</i>	72,857	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 1,322,492</u>	<u>\$ 1,306,784</u>
 Liabilities and Fund Balances		
Liabilities:		
Total Liabilities	--	--
 Fund balances:		
Nonspendable:		
Permanent fund principal	\$ --	\$ --
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
Sixteenth section	--	1,306,784
Assigned:		
General activity	57,798	--
Special projects	173,135	--
Permanent fund	--	--
Unassigned	1,091,559	--
Total Fund Balances	<u>1,322,492</u>	<u>1,306,784</u>
Total Liabilities and Fund Balances	<u>\$ 1,322,492</u>	<u>\$ 1,306,784</u>

The accompanying notes are an integral part of this statement.

QZAB Fund	QSCB Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,527,654	\$ 543,472	\$ 4,106,892
1,396	--	--	1,396
1,185,965	--	--	1,706,618
--	--	6,265	79,122
--	--	10,532	10,532
<u>\$ 1,187,361</u>	<u>\$ 1,527,654</u>	<u>\$ 560,269</u>	<u>\$ 5,904,560</u>
--	--	--	--
\$ --	\$ --	\$ 54,438	\$ 54,438
--	--	10,532	10,532
--	--	52,360	52,360
--	--	43,809	43,809
1,187,361	1,527,654	203,793	2,918,808
--	--	33,590	33,590
--	--	105,833	105,833
--	--	5,479	1,312,263
--	--	--	57,798
--	--	--	173,135
--	--	50,435	50,435
--	--	--	1,091,559
<u>1,187,361</u>	<u>1,527,654</u>	<u>560,269</u>	<u>5,904,560</u>
<u>\$ 1,187,361</u>	<u>\$ 1,527,654</u>	<u>\$ 560,269</u>	<u>\$ 5,904,560</u>

ENTERPRISE SCHOOL DISTRICT

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

Total fund balances for governmental funds	\$ 5,904,560
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.	5,110,005
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,700,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(3,719)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(48,980)</u>
Net assets of governmental activities	<u>\$ 7,261,866</u>

The accompanying notes are an integral part of this statement.

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ENTERPRISE SCHOOL DISTRICT

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

	General Fund	Sixteenth Section Interest Fund
Revenues:		
Local sources	\$ 2,190,334	\$ --
State sources	3,764,457	--
Federal sources	14,414	--
Sixteenth section sources	--	63,655
Total Revenues	<u>5,969,205</u>	<u>63,655</u>
Expenditures:		
Instruction	3,323,852	--
Support services	1,739,566	--
Noninstructional services	--	--
Sixteenth section	--	--
Facilities acquisition and construction	26,000	--
Debt service:		
Principal	451,000	--
Interest	10,258	--
Total expenditures	<u>5,550,676</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>418,529</u>	<u>63,655</u>
Other Financing Sources (Uses):		
Proceeds of bonds	--	--
Operating transfers in	470,697	--
Payment held by escrow agent	--	--
Operating transfers out	(178,451)	(780,603)
Payment to refunded bond escrow agent	--	--
Other financing uses	--	--
Total Other Financing Sources (Uses)	<u>292,246</u>	<u>(780,603)</u>
Net Change in Fund Balances	710,775	(716,948)
Fund Balances:		
July 1, 2010	611,717	2,023,732
Increase (decrease) in reserve for inventory	--	--
June 30, 2011	<u>\$ 1,322,492</u>	<u>\$ 1,306,784</u>

The accompanying notes are an integral part of this statement.

QZAB Fund	QSCB Fund	Other Governmental Funds	Total Governmental Funds
\$ 58,660	\$ 7,882	\$ 314,797	\$ 2,571,673
--	--	124,140	3,888,597
--	--	1,224,444	1,238,858
--	--	60,197	123,852
<u>58,660</u>	<u>7,882</u>	<u>1,723,578</u>	<u>7,822,980</u>
--	--	998,600	4,322,452
--	--	310,375	2,049,941
--	--	392,259	392,259
--	--	31,979	31,979
--	--	766,783	792,783
--	--	--	451,000
--	--	--	10,258
<u>--</u>	<u>--</u>	<u>2,499,996</u>	<u>8,050,672</u>
<u>58,660</u>	<u>7,882</u>	<u>(776,418)</u>	<u>(227,692)</u>
--	2,000,000	--	2,000,000
--	286,555	983,299	1,740,551
120,000	--	--	120,000
--	(766,783)	(14,714)	(1,740,551)
--	--	(120,000)	(120,000)
--	--	(2,605)	(2,605)
<u>120,000</u>	<u>1,519,772</u>	<u>845,980</u>	<u>1,997,395</u>
178,660	1,527,654	69,562	1,769,703
1,008,701	--	491,290	4,135,440
--	--	(583)	(583)
<u>\$ 1,187,361</u>	<u>\$ 1,527,654</u>	<u>\$ 560,269</u>	<u>\$ 5,904,560</u>

ENTERPRISE 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	\$ 1,769,703
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	927,109
The depreciation of capital assets used in governmental activities is not reported in the funds.	(155,349)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(11,811)
Repayment of principal is an expenditure in the funds but is not an expense in the SOA.	451,000
(Increase) decrease in accrued interest from beginning of period to end of period.	1,744
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	(583)
Compensated absences are reported as the amount earned in SOA but as amount paid in the funds.	7,914
Proceeds of bonds not revenue in SOA, but are reported as current resources in the funds.	<u>(2,000,000)</u>
Change in net assets of governmental activities	<u>\$ 989,727</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds
Assets	
<i>Cash and cash equivalents</i>	\$ 358,013
Total Assets	<u>\$ 358,013</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	\$ 303,370
<i>Due to student clubs</i>	30,325
<i>Other payables</i>	24,318
Total Liabilities	<u>\$ 358,013</u>

The accompanying notes are an integral part of this statement.

Enterprise School District

Notes to the Financial Statements
June 30, 2011

Enterprise 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 a "primary government." The school district is governed by a five member board, to which each member board is elected by the citizens of each defined county district.

For financial reporting purposes, Enterprise 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.

Blended component unit

The East Central Mississippi Non-Profit Corporation Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of*

Enterprise School District

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

Governmental Accounting and Financial Reporting Standards and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reporting as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 10).

C. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants,

Enterprise School District

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

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.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for revenues and expenditures associated with maintaining and improving sixteenth section lands.

QZAB Fund - This is a debt service fund that accounts for annual deposits to be paid to the Qualified Zone Academy Bonds Fund.

QSCB Fund - This is a debt service fund that accounts for annual deposits to be paid to the Qualified School Construction Bonds Fund.

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

The District's fiduciary funds include the following:

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

Additionally, the school district reports the following fund types:

Enterprise School District

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

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.

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.

Enterprise School District

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

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

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

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

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

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.

Enterprise School District

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

E. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

Activity 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."

Enterprise School District

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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

Enterprise School District

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

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:

	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

Enterprise School District

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

liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

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

9. Fund Balances

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

Governmental fund balance is classified as 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

Enterprise School District

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

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 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.

Enterprise School District

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,106,892 and \$358,013, respectively. The carrying amount of the deposits reported in the government-wide financial statements was: cash and cash equivalents \$2,474,365. Additionally, \$1,632,527 is shown as restricted assets on Exhibit A. The bank balance was \$4,689,586.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$4,689,586 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 \$1,396. This amount is shown as restricted assets on Exhibit A.

Investments

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

Enterprise School District

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Obligations	AAAm-G	1 year	\$ 1,185,965
Certificates of deposit	N/A	1 year	520,653
Total Investments			\$ 1,706,618

Note 3 - Inter-fund Receivables, Payables, and Transfers

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

A. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Sixteenth Section Interest Fund	\$ 461,258
	Other Governmental Funds	9,439
Qualified School Construction Bonds Other Governmental Funds	Sixteenth Section Interest Fund	286,555
	General Fund	178,451
	Sixteenth Section Interest Fund	32,790
	Qualified School Construction Bonds	766,783
	Other Governmental Funds	5,275
Total		\$ 1,740,551

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 balance in the amount of \$104,873 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents and investment balance, totaling \$1,396 and \$1,185,965, respectively, of the QZAB Bond Retirement Fund.

In addition, the restricted assets represent the cash, totaling \$1,527,654, of the QSCB Bond Retirement Fund.

Enterprise School District

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

Note 5 - Capital Assets

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

	Balance 7-1-2010	Additions	Retirements	Balance 6-30-2011
<u>Non-depreciable capital assets:</u>				
Land	\$ 155,430			155,430
Construction in progress		775,073		775,073
Total non-depreciable capital assets	155,430	775,073	0	930,503
<u>Depreciable capital assets:</u>				
Buildings	4,793,209			4,793,209
Improvements other than buildings	121,231			121,231
Mobile equipment	919,479	152,036	88,110	983,405
Furniture and equipment	232,539			232,539
Total depreciable capital assets	6,066,458	152,036	88,110	6,130,384
<u>Less accumulated depreciation for:</u>				
Buildings	1,042,923	89,364		1,132,287
Improvements other than buildings	44,344	4,849		49,193
Mobile equipment	586,904	55,293	76,299	565,898
Furniture and equipment	197,661	5,843		203,504
Total accumulated depreciation	1,871,832	155,349	76,299	1,950,882
Total depreciable capital assets, net	4,194,626	(3,313)	11,811	4,179,502
Governmental activities capital assets, net	\$ 4,350,056	771,760	11,811	5,110,005

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 108,744
Support services	31,070
Non-instructional	15,535
Total depreciation expense	\$ 155,349

Note 6 - Long-term liabilities

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

Enterprise School District

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

	Balance 7-1-2010	Additions	Reductions	Balance 6-30-2011
A. Certificates of participation payable	\$ 451,000		451,000	0
B. Qualified zone academy bonds payable	1,700,000			1,700,000
C. Qualified school construction bonds		2,000,000		2,000,000
D. Compensated absences payable	56,894		7,914	48,980
Total	\$ 2,207,894	2,000,000	458,914	3,748,980

A. Certificates of participation payable

This debt was paid off during the fiscal year and retired from the General Fund.

B. Qualified zone academy bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy bond, Series 2004	0.00%	8/12/2004	8/12/2018	\$ 1,700,000	1,700,000
Total				\$ 1,700,000	1,700,000

The QZAB is secured with a pledge of “EEF” funds that are to be used for buildings or buses during the years 2005 through 2018 of the term of the note in the amount of \$28,783 per year. The EEF Building and Buses Fund accounts for 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).

C. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Enterprise School District

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified School Construction bond, Series 2010	0.00%	8/27/2010	8/01/2025	\$ <u>2,000,000</u>	<u>2,000,000</u>
Total				\$ <u>2,000,000</u>	<u>2,000,000</u>

D. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of the 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 \$483,549, \$500,124, and \$486,699, 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 of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust

Enterprise School District

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

property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands.

These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2012	\$	24,912
2013		24,912
2014		2,100
2015		2,100
2016		2,100
2017 - 2021		9,000
2022 - 2026		9,000
2027 - 2031		9,000
Total	\$	<u>83,124</u>

Note 9 - Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School 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 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 up 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.

Enterprise School District

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

Note 10 - Trust Certificates

A trust agreement dated May 28, 1998 and October 19, 1999, was executed by and between the school district and East Central Mississippi Non-Profit Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$950,000 and \$750,000. Approximately \$1,680,516 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$19,484 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financing Reporting Standards* dealing with defining the reporting entity, the trusts accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

The certificates of participation were paid off and retired during the fiscal year.

Note 11 - Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Bank of America, has entered into such an arrangement

Enterprise School District

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

dated August 12, 2004.

The district makes a transfer that is shown on Exhibit D in the amount of \$120,000 as a payment held by a QZAB Debt escrow agent in the other financing sources section. The district secures the payment with a pledge of “EEF” funds that are to be used for buildings or buses. The district also uses debt service funds to make the annual payments to the sinking fund.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before August 11. The amount on deposit at June 30, 2011 was \$1,187,361. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 12,450
2013	12,450
2014	12,450
2015	12,450
Total	\$ 49,800

Note 12 - Qualified School Construction Bonds

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

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

Enterprise School District

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

Year Ending June 30		Principal
2012	\$	183,182
2013		110,458
2014		110,734
2015		111,011
2016		133,288
2017 - 2021		671,457
2022 - 2026		679,893
Total	\$	<u>2,000,023</u>

REQUIRED SUPPLEMENTAL INFORMATION

ENTERPRISE SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,233,191	2,174,818	2,190,334	(58,373)	15,516
State sources	3,408,962	3,764,457	3,764,457	355,495	0
Federal sources	15,419	14,414	14,414	(1,005)	0
Total Revenues	<u>5,657,572</u>	<u>5,953,689</u>	<u>5,969,205</u>	<u>296,117</u>	<u>15,516</u>
Expenditures:					
Instruction	4,093,940	3,323,890	3,323,852	770,050	38
Support services	1,818,160	1,739,565	1,739,566	78,595	(1)
Sixteenth section	11,200			11,200	0
Facilities acquisition and construction	59,650	26,000	26,000	33,650	0
Debt service:					
Principal	151,245	451,000	451,000	(299,755)	0
Interest	14,245	10,258	10,258	3,987	0
Total Expenditures	<u>6,148,440</u>	<u>5,550,713</u>	<u>5,550,676</u>	<u>597,727</u>	<u>37</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(490,868)</u>	<u>402,976</u>	<u>418,529</u>	<u>893,844</u>	<u>15,553</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		15,517		15,517	(15,517)
Transfers In	860,224	1,334,503	470,697	474,279	(863,806)
Transfers Out	(500,000)	(1,042,256)	(178,451)	(542,256)	863,805
Total Other Financing Sources (Uses)	<u>360,224</u>	<u>307,764</u>	<u>292,246</u>	<u>(52,460)</u>	<u>(15,518)</u>
Net Change in Fund Balances	<u>(130,644)</u>	<u>710,740</u>	<u>710,775</u>	<u>841,384</u>	<u>35</u>
Fund Balances:					
July 1, 2010, as originally reported	594,500	594,538	611,717	38	17,179
Prior period adjustments		17,216		17,216	(17,216)
July 1, 2010, as restated	<u>594,500</u>	<u>611,754</u>	<u>611,717</u>	<u>17,254</u>	<u>(37)</u>
June 30, 2011	<u>\$ 463,856</u>	<u>1,322,494</u>	<u>1,322,492</u>	<u>858,638</u>	<u>(2)</u>

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

ENTERPRISE SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 212,427	63,655	63,655	(148,772)	0
Total Revenues	<u>212,427</u>	<u>63,655</u>	<u>63,655</u>	<u>(148,772)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	212,427	63,655	63,655	(148,772)	0
Other Financing Sources (Uses):					
Transfers In				0	0
Transfers Out	(500,000)	(780,603)	(780,603)	(280,603)	0
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(780,603)</u>	<u>(780,603)</u>	<u>(280,603)</u>	<u>0</u>
Net Change in Fund Balances	<u>(287,573)</u>	<u>(716,948)</u>	<u>(716,948)</u>	<u>(429,375)</u>	<u>0</u>
Fund Balances:					
July 1, 2010, as originally reported	<u>2,023,732</u>	<u>2,023,732</u>	<u>2,023,732</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 1,736,159</u>	<u>1,306,784</u>	<u>1,306,784</u>	<u>(429,375)</u>	<u>0</u>

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Enterprise 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

Enterprise School District**Schedule 1**

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
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 63,644
National School Lunch Program	10.555	227,417
Total child nutrition cluster		<u>291,061</u>
Total passed-through Mississippi Department of Education		<u>291,061</u>
Total U. S. Department of Agriculture		<u>291,061</u>
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	14,414
Total Federal Communications Commission		<u>14,414</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	137,565
Rural Education	84.358	17,707
Improving Teacher Quality - State Grants	84.367	41,256
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	231,854
Education Jobs Fund	84.410	173,135
Subtotal		<u>601,517</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	202,207
Special Education - Preschool Grants	84.173	8,748
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	89,372
Total special education cluster		<u>300,327</u>
Total passed-through the Mississippi Department of Education		<u>901,844</u>
Total U. S. Department of Education		<u>901,844</u>
 TOTAL FOR ALL FEDERAL AWARDS		 <u>\$ 1,207,319</u>

Notes to Schedule

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

Enterprise School District

Schedule 2

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	\$ 5,408,939	4,133,578	374,226	313,124	588,011
Other	<u>2,641,733</u>	<u>459,361</u>	<u>89,352</u>	<u>29,736</u>	<u>2,063,284</u>
Total	\$ <u>8,050,672</u>	<u>4,592,939</u>	<u>463,578</u>	<u>342,860</u>	<u>2,651,295</u>
Total number of students *	975				
Cost per student	\$ 8,257	4,711	475	352	2,719

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

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

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

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

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

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

OTHER INFORMATION

ENTERPRISE SCHOOL DISTRICT

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,190,334	2,105,643	1,983,150	2,750,351
State sources	3,764,457	3,422,212	3,874,110	4,006,953
Federal sources	14,414	12,705	15,419	16,912
Total Revenues	<u>5,969,205</u>	<u>5,540,560</u>	<u>5,872,679</u>	<u>6,774,216</u>
Expenditures:				
Instruction	3,323,852	3,803,665	3,876,837	3,758,891
Support services	1,739,566	1,855,468	1,799,728	1,849,388
Sixteenth section		122	10,480	
Facilities acquisition and construction	26,000	59,651		1,014
Debt service:				
Principal	451,000	167,051	145,168	161,769
Interest	10,258	29,360	37,186	21,399
Total Expenditures	<u>5,550,676</u>	<u>5,915,317</u>	<u>5,869,399</u>	<u>5,792,461</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>418,529</u>	<u>(374,757)</u>	<u>3,280</u>	<u>981,755</u>
Other Financing Sources (Uses):				
Proceeds of loans				67,000
Insurance loss recoveries				10,979
Sale of transportation equipment			327	102
Sale of other property			463	
Operating transfers in	470,697	194,462	15,675	64,633
Operating transfers out	(178,451)	(103,292)	(90,423)	(997,185)
Total Other Financing Sources (Uses)	<u>292,246</u>	<u>91,170</u>	<u>(73,958)</u>	<u>(854,471)</u>
Net Change in Fund Balances	<u>710,775</u>	<u>(283,587)</u>	<u>(70,678)</u>	<u>127,284</u>
Fund Balances:				
July 1, as originally reported	611,717	895,304	947,488	820,204
Prior period adjustments			18,494	
July 1, as restated	<u>611,717</u>	<u>895,304</u>	<u>965,982</u>	<u>820,204</u>
June 30,	<u>\$ 1,322,492</u>	<u>611,717</u>	<u>895,304</u>	<u>947,488</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

ENTERPRISE SCHOOL DISTRICT

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,571,673	2,481,216	2,377,169	3,139,255
State sources	3,888,597	3,610,652	4,067,169	4,210,210
Federal sources	1,238,858	1,084,991	636,412	583,518
Sixteenth section sources	123,852	483,834	367,139	163,092
Total Revenues	<u>7,822,980</u>	<u>7,660,693</u>	<u>7,447,889</u>	<u>8,096,075</u>
Expenditures:				
Instruction	4,322,452	4,757,811	4,402,591	4,283,838
Support services	2,049,941	2,033,624	2,446,864	2,084,683
Noninstructional services	392,259	431,048	413,579	395,829
Sixteenth section	31,979	94,549	104,682	30,581
Facilities acquisition and construction	792,783	108,000		199,425
Debt service:				
Principal	451,000	189,395	167,508	161,769
Interest	10,258	29,998	39,081	23,033
Total Expenditures	<u>8,050,672</u>	<u>7,644,425</u>	<u>7,574,305</u>	<u>7,179,158</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(227,692)</u>	<u>16,268</u>	<u>(126,416)</u>	<u>916,917</u>
Other Financing Sources (Uses):				
Proceeds of loan	2,000,000			67,000
Insurance loss recoveries				10,979
Sale of transportation equipment			327	102
Sale of other property			463	
Operating transfers in	1,740,551	297,829	106,098	1,076,250
Payments held by escrow agent	120,000	120,000	120,000	120,000
Operating transfers out	(1,740,551)	(297,829)	(106,098)	(1,076,250)
Payment to refunded bond escrow agent	(120,000)	(120,000)	(120,000)	(143,706)
Other financing uses	(2,605)	(1,105)	(1,105)	
Total Other Financing Sources (Uses)	<u>1,997,395</u>	<u>(1,105)</u>	<u>(315)</u>	<u>54,375</u>
Net Change in Fund Balances	<u>1,769,703</u>	<u>15,163</u>	<u>(126,731)</u>	<u>971,292</u>
Fund Balances:				
July 1, as originally reported	4,135,440	4,114,778	4,228,113	3,258,029
Prior period adjustments			15,232	
July 1, as restated	<u>4,135,440</u>	<u>4,114,778</u>	<u>4,243,345</u>	<u>3,258,029</u>
Increase (Decrease) in reserve for inventory	(583)	5,499	(1,836)	(1,208)
June 30,	<u>\$ 5,904,560</u>	<u>4,135,440</u>	<u>4,114,778</u>	<u>4,228,113</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS 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
Enterprise School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District as of and for the year ended June 30, 2011, which collectively comprise the Enterprise School District's basic financial statements and have issued our report thereon dated December 21, 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 Enterprise School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Enterprise School District's financial statements are free of material misstatement, we performed tests of its compliance with

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

We noted certain matters that we reported to management of Enterprise School District in a separate letter dated December 21, 2011.

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
December 21, 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
Enterprise School District

Compliance

We have audited Enterprise 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 Enterprise 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 Enterprise 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 Enterprise 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 Enterprise School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 21, 2011

Certified Public Accountants

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
Enterprise School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Enterprise School District as of and for the year ended June 30, 2011, which collectively comprise Enterprise School District's basic financial statements and have issued our report thereon dated December 21, 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 the following instance of noncompliance. The noncompliance is reported in finding number 3 below. The district reported \$7,358 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 1:

Section 37-39-21, Miss. Code Ann. (1972), requires all purchasing agents to be bonded for at least \$50,000.

During the course of our audit, we noted one (1) purchasing agent was bonded for \$25,000.

Recommendation:

The District should comply with Section 37-39-21.

Response:

The District will comply with Section 37-39-21.

Finding 2:

Section 31-7-305, Miss. Code Ann. (1972), states “payments should be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection and approval of the goods and services.” During our test of expenditures, we noted that the payment of two invoices were over the 45-day statutory limitation.

Recommendation:

We recommend that the school district comply with Section 31-7-305, Miss. Code Ann. (1972), and ensure that payments are made timely.

Response:

The District will pay all claims within 45 days of receiving all invoices after inspection of the goods or services.

Finding 3:

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), requires that Mississippi Public School Districts allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers in the school district. During the course of our audit, we noted that Education Enhancement Funds were allocated to federally funded teachers in the district.

Recommendation:

The District should comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires the district to allocate Education Enhancement Funds (EEF) classroom supply funds equally among all classroom teachers but to preclude allocation to federally-funded teachers.

Response:

The District will comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

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

The Enterprise School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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
December 21, 2011

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Enterprise 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? None reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

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

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? 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 by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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