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FORREST COUNTY AGRICULTURAL HIGH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2011

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Table of Contents

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A: Statement of Net Assets	16
Exhibit B: Statement of Activities	17
Governmental Funds Financial Statements	
Exhibit C: Balance Sheet	18
Exhibit C-1: Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	19
Exhibit D: Statement of Revenues, Expenditures and Changes in Fund Balances	20
Exhibit D-1: Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	21
Fiduciary Funds Financial Statements	
Exhibit E: Statement of Fiduciary Net Assets	22
Exhibit F: Statement of Changes in Fiduciary Net Assets	23
Notes to the Financial Statements	24
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – General Fund	40
Budgetary Comparison Schedule – Cisco Grant Fund	41
Notes to the Required Supplementary Information	42
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	44
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	45
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund – Last Four Years	47
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds – Last Four Years	48
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' 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 <u>Government Auditing Standards</u>	49
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	52
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	58
AUDITEE'S SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS	60

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Forrest County Agricultural High School

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2011, which collectively comprise the Forrest County Agricultural High School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Forrest County Agricultural High School'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 Forrest County Agricultural High School 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 28, 2011, on our consideration of the Forrest County Agricultural High School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Page 2

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forrest County Agricultural High 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
December 28, 2011

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of Forrest County Agricultural High School'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 \$242,522, including a prior period adjustment of \$3,271, which represents a 5% increase from fiscal year 2010. Total net assets for 2010 decreased \$86,710, including a prior period adjustment of (\$80,281), which represents a 2% decrease from fiscal year 2009.
- General revenues amounted to \$4,158,425 and \$3,840,515, or 75% and 75% 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 \$1,332,309, or 25% of total revenues for 2011, and \$1,287,195, or 25% of total revenues for 2010.
- The District had \$5,251,483 and \$5,134,139 in expenses for fiscal years 2011 and 2010; only \$1,332,309 for 2011 and \$1,287,195 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$4,158,425 for 2011 were adequate to provide for these programs. However, general revenues of \$3,840,515 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$4,173,712 in revenues and \$3,475,418 in expenditures for 2011, and \$4,032,632 in revenues and \$3,522,553 in expenditures in 2010. The General Fund's fund balance increased by \$264,857, which includes a change in inventory reserve of \$(2,570) from 2010 to 2011, and increased by \$120,840, which includes a change in inventory reserve of (\$1,636) from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$121,148 for 2011 and decreased by \$264,467 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$47,597 for 2011 and decreased by \$39,683 for 2010. This decrease was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$453 for 2011 and decreased by \$995 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.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
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, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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 government's financial position. In the case of the District, assets exceeded liabilities by \$4,506,733 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.

**Table 1
Condensed Statement of Net Assets**

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 2,330,567	\$ 1,722,342	35.31 %
Capital assets, net	3,198,581	3,319,729	(3.64) %
Total assets	5,529,148	5,042,071	9.66 %
Current liabilities	552,566	260,146	112.41 %
Long-term debt outstanding	469,849	517,714	(9.24) %
Total liabilities	1,022,415	777,860	31.43 %
Net assets:			
Invested in capital assets, net of related debt	2,728,454	2,802,457	(2.64) %
Restricted	685,306	743,130	(7.78) %
Unrestricted	1,092,973	718,624	52.09 %
Total net assets	\$ 4,506,733	\$ 4,264,211	5.68 %

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

- Decrease in net capital assets in the amount of \$121,148.
- The principal retirement of \$47,144 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$5,490,734 and \$5,127,710, respectively. The total cost of all programs and services was \$5,251,483 for 2011 and \$5,134,139 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.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 255,627	\$ 215,197	18.78 %
Operating grants and contributions	1,076,682	1,063,269	1.26 %
Capital Grants and Contributions	-	8,729	(100.00) %
General revenues:			
Property taxes	1,627,641	1,503,879	8.22 %
Grants and contributions not restricted	2,464,535	2,262,778	8.91 %
Investment earnings	12,862	12,665	1.55 %
Other	53,387	61,193	(12.75) %
Total revenues	<u>5,490,734</u>	<u>5,127,710</u>	7.07 %
Expenses:			
Instruction	3,242,937	3,036,637	6.79 %
Support services	1,706,200	1,805,001	(5.47) %
Non-instructional	272,064	263,612	3.20 %
Interest and other expenses on long-term liabilities	30,282	28,889	4.82 %
Total expenses	<u>5,251,483</u>	<u>5,134,139</u>	2.28 %
Increase (Decrease) in net assets	<u>239,251</u>	<u>(6,429)</u>	3821.00 %
Net Assets, July 1, as originally reported	4,264,211	4,350,921	(1.99) %
Prior Period Adjustment	3,271	(80,281)	104.00 %
Net Assets, July 1, as restated	<u>4,267,482</u>	<u>4,270,640</u>	(0.07) %
Net Assets, June 30	<u>\$ 4,506,733</u>	<u>\$ 4,264,211</u>	5.68 %

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 3,242,937	\$ 3,036,637	6.79 %
Support services	1,706,200	1,805,001	-5.47 %
Non-instructional	272,064	263,612	3.2 %
Interest on long-term debt	30,282	28,889	4.82 %
Total Expenses	\$ 5,251,483	\$ 5,134,139	2.28 %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (2,364,757)	\$ (2,165,251)	9.21 %
Support services	(1,564,296)	(1,642,732)	(4.77) %
Non-instructional	40,161	(10,072)	498.75 %
Interest on long-term debt	(30,282)	(28,889)	4.82 %
Total net (expense) revenue	\$ (3,919,174)	\$ (3,846,944)	1.87 %

- Net cost of governmental activities (\$3,919,174 for 2011 and \$3,846,944 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$1,627,641 for 2011 and \$1,503,879 for 2010) and state and federal revenues (\$2,464,535 for 2011 and \$2,262,778 for 2010).
- Investment earnings amounted to \$12,862 for 2011 and \$12,665 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,830,374, an increase of \$321,034, which includes a prior period adjustment of \$3,271 and a decrease in inventory of \$972. \$739,786, or 40%, 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 \$1,090,588, or 60%, 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 \$264,857, which includes a decrease in reserve for inventory of \$2,570. The fund balance of Other Governmental Funds showed an increase in the amount of \$82,215, which includes a prior period adjustment of \$3,271 and an increase in reserve for inventory of \$1,598. The (decrease) in the fund balance for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Capital Improvement Fund	\$ (26,038)
Cisco Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School. Expenditure budgets were revised as state revenue budgets were cut to ensure revenues exceeded expenditures to ensure the school district was operating below its means in order to survive the downturn in the economy over the next couple of years.

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 \$5,450,921, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$103,779 from 2010. Total accumulated depreciation as of June 30, 2011 was \$2,252,340, and total depreciation expense for the year was \$224,927, resulting in total net capital assets of \$3,198,581.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 640	\$ 640	0.00 %
Buildings	2,467,209	2,523,453	(2.22) %
Building improvements	344,711	362,768	(4.97) %
Improvements other than buildings	26,934	35,018	(23.08) %
Mobile equipment	125,240	53,755	132.98 %
Furniture and equipment	223,559	331,937	(32.65) %
Equipment under capital lease	10,288	12,158	(15.38) %
Total	<u>\$ 3,198,581</u>	<u>\$ 3,319,729</u>	(3.64) %

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

Debt Administration. At June 30, 2011, the District had \$517,261 in outstanding long-term debt, of which \$47,412 is due within one year. The liability for compensated absences decreased \$453 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 460,000	\$ 505,000	(8.91) %
Obligations under capital lease	10,127	12,271	(17.47) %
Compensated absences payable	47,134	47,587	(0.95) %
Total	<u>\$ 517,261</u>	<u>\$ 564,858</u>	(8.42) %

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

CURRENT ISSUES

The Forrest County Agricultural High 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 3% to 579 students.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report, contact the Superintendent's Office of the Forrest County Agricultural High School District, 215 Old Highway 49 E., Brooklyn, Mississippi 39425.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

BASIC FINANCIAL STATEMENTS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Statement of Net Assets
June 30, 2011

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	1,379,437
Investments		419,301
Due from other governments		495,145
Inventories		36,684
Capital assets, non-depreciable:		
Land		640
Capital assets, net of accumulated depreciation:		
Buildings		2,467,209
Building improvements		344,711
Improvements other than buildings		26,934
Mobile equipment		125,240
Furniture and equipment		223,559
Equipment under capital lease		10,288
Total Assets	\$	5,529,148
Liabilities		
Accounts payable and accrued liabilities	\$	112,553
Cash overdraft		383,398
Interest payable on long-term liabilities		4,961
Unearned revenue		4,242
Long-term liabilities:		
Due within one year:		
Capital related liabilities		47,412
Due beyond one year:		
Capital related liabilities		422,715
Non-capital related liabilities		47,134
Total Liabilities		1,022,415
Net Assets		
Invested in capital assets, net of related debt		2,728,454
Restricted net assets:		
Expendable:		
School-based activities		292,141
Debt service		45,635
Capital improvements		334,001
Unemployment benefits		13,529
Unrestricted		1,092,973
Total Net Assets	\$	4,506,733

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Statement of Activities

Exhibit B

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 3,242,937	\$ 142,010	\$ 736,170	\$ -	\$ (2,364,757)
Support services	1,706,200	-	141,904	-	(1,564,296)
Non-instructional services	272,064	113,617	198,608	-	40,161
Interest on long-term liabilities	30,282	-	-	-	(30,282)
Total Governmental Activities	\$ 5,251,483	\$ 255,627	\$ 1,076,682	\$ -	(3,919,174)
General Revenues:					
Taxes:					
General purpose levies					1,627,641
Unrestricted grants and contributions:					
State					2,314,285
Federal					150,250
Unrestricted investment earnings					12,862
Other					<u>53,387</u>
Total General Revenues					<u>4,158,425</u>
Change in Net Assets					<u>239,251</u>
Net Assets - Beginning, as originally reported					4,264,211
Prior period adjustment					<u>3,271</u>
Net Assets - Beginning, as restated					<u>4,267,482</u>
Net Assets - Ending					<u>\$ 4,506,733</u>

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Improvement Fund	Cisco Fund		
Assets					
Cash and cash equivalents	\$ 982,363	\$ -	\$ 205,854	\$ 191,220	\$ 1,379,437
Investments	102,156	303,698	-	13,447	419,301
Due from other governments	48,357	-	-	445,788	494,145
Due from other funds	13,671	-	-	-	13,671
Inventories	28,955	-	-	7,729	36,684
Total Assets	\$ 1,175,502	\$ 303,698	\$ 205,854	\$ 658,184	\$ 2,343,238
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 65,715	\$ -	\$ -	\$ 46,838	\$ 112,553
Due to other funds	-	12,671	-	-	12,671
Cash overdraft	-	-	-	383,398	383,398
Unearned revenue	-	-	-	4,242	4,242
Total Liabilities	65,715	12,671	-	434,478	512,864
Fund balances:					
Nonspendable:					
Inventory	28,955	-	-	7,729	36,684
Restricted:					
Debt service	-	-	-	50,596	50,596
Capital projects	42,974	291,027	-	-	334,001
Unemployment compensation	-	-	-	13,529	13,529
Other commitments	-	-	205,854	49,603	255,457
Assigned:					
Other purposes	298,072	-	-	102,249	400,321
Unassigned	739,786	-	-	-	739,786
Total Fund Balances	1,109,787	291,027	205,854	223,706	1,830,374
Total Liabilities & Fund Balances	\$ 1,175,502	\$ 303,698	\$ 205,854	\$ 658,184	\$ 2,343,238

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011**

Exhibit C-1

Total fund balances for governmental funds \$ 1,830,374

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Land	\$ 640	
Buildings	3,700,042	
Building Improvements	440,530	
Improvements other than buildings	187,875	
Mobile equipment	281,851	
Furniture and equipment	826,890	
Equipment under capital lease	13,093	
Accumulated Depreciation	<u>(2,252,340)</u>	3,198,581

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

Limited obligation bonds	(460,000)	
Obligations under capital leases	(10,127)	
Compensated absences	(47,134)	
Accrued Interest	<u>(4,961)</u>	<u>(522,222)</u>

Net assets of governmental activities \$ 4,506,733

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Governmental Funds

**Statement of Revenues, Expenditures and changes in Fund Balances
For the Year Ended June 30, 2011**

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Improvement Fund	Cisco Fund		
Revenues:					
Local sources	\$ 1,826,921	\$ 7,564	\$ -	\$ 114,886	\$ 1,949,371
State sources	2,337,209	-	-	175,269	2,512,478
Federal sources	9,582	-	-	1,019,156	1,028,738
Total Revenues	4,173,712	7,564	-	1,309,311	5,490,587
Expenditures:					
Instruction	2,125,616	-	-	1,193,906	3,319,522
Support services	1,340,801	33,602	-	131,776	1,506,179
Non-instructional services	5,521	-	-	268,312	273,833
Debt Service:					
Principal	2,144	-	-	45,000	47,144
Interest	1,336	-	-	23,985	25,321
Total Expenditures	3,475,418	33,602	-	1,662,979	5,171,999
Excess (Deficiency) of Revenues over (under) Expenditures	698,294	(26,038)	-	(353,668)	318,588
Other Financing Sources (Uses):					
Insurance loss recoveries	147	-	-	-	147
Operating transfers in	-	-	-	431,014	431,014
Operating transfers out	(431,014)	-	-	-	(431,014)
Total Other Financing Sources (Uses)	(430,867)	-	-	431,014	147
Net change in fund balances	267,427	(26,038)	-	77,346	318,735
Fund Balances:					
July 1, 2010, as originally reported	844,930	317,065	205,854	141,491	1,509,340
Prior period adjustment	-	-	-	3,271	3,271
July 1, 2010, as restated	844,930	317,065	205,854	144,762	1,512,611
Increase (Decrease) in reserve for inventory	(2,570)	-	-	1,598	(972)
June 30, 2011	\$ 1,109,787	\$ 291,027	\$ 205,854	\$ 223,706	\$ 1,830,374

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011** **Exhibit D-1**

Net change in fund balances - total governmental funds **\$ 318,735**

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 103,779	
	Depreciation Expense	<u>(224,927)</u>	(121,148)
2.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities: proceeds.		
	Payments of debt principal	47,144	
	Accrued interest payable	<u>(4,961)</u>	42,183
3.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	453	
	Change in inventory reserve	<u>(972)</u>	(519)
	Change in net assets of governmental activities	<u><u>\$ 239,251</u></u>	

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Fiduciary Funds

Statement of Fiduciary Net Assets
June 30, 2011

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 9,548	\$ 18,013
Investments	<u>43,885</u>	<u>-</u>
 Total Assets	 <u>\$ 53,433</u>	 <u>\$ 18,013</u>
LIABILITIES		
Due to other funds	\$ 1,000	\$ -
Due to student clubs	<u>-</u>	<u>18,013</u>
 Total Liabilities	 <u>1,000</u>	 <u>\$ 18,013</u>
NET ASSETS		
Reserved for endowments	<u>52,433</u>	
 TOTAL NET ASSETS	 <u>\$ 52,433</u>	

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets
June 30, 2011

Exhibit F

	Private-Purpose Trust Funds
ADDITIONS	
Interest on investments	\$ 1,101
Contributions and donations from private sources	<u>1,200</u>
Total Additions	<u>2,301</u>
DEDUCTIONS	
Scholarships awarded	1,000
Dues	<u>301</u>
Total Deductions	<u>1,301</u>
CHANGE IN NET ASSETS	<u>1,000</u>
NET ASSETS	
July 1, 2010	<u>51,433</u>
June 30, 2011	<u>\$ 52,433</u>

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a six member board to which one member is an at large member (elected superintendent of Forrest County School District), two members are appointed by the Forrest County School District Board and three are appointed by the Forrest County Board of Supervisors.

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and 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:

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

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

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

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

The school district reports the following major governmental funds:

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

Capital Improvement Fund – This is the school’s restricted fund for capital improvements to buildings. Revenue is generated by interest on investments as well as money earmarked from the general fund for capital improvements.

Cisco Fund – This fund was set up to track all donations and expenditures received by Cisco. No more revenue is anticipated in the fund. Expenditures are for technology purchases, training and support.

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 school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District’s fiduciary funds include the following:

Payroll Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for payroll related liabilities.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

Accounts Payable Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for related liabilities.

Private-Purpose Trust Funds – These funds are utilized for existing scholarships awarded each year to graduates. Private donations and contributions are the only source of revenue.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds – Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

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

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

Property tax, 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.

E. Encumbrances

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

5. Capital Assets

Capital assets, which 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 costs. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details those 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 4 for details.

6. Compensated Absences.

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

7. 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 5 for details.

8. 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.

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 school board pursuant to authorization established by Board policy.

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

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

Note 2 -- Cash and Cash Equivalents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end any 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 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 \$1,798,738 (which includes \$419,301 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$71,446 (which includes \$43,885 of certificates of deposit with original maturities beyond three months and reported on Exhibit E as investments), respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$1,435,378 was exposed to custodial credit risk.

Investments

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

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of deposit	1 year	<u>\$ 463,186</u>

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

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

Custodial Credit Risk-Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
The First, A National Banking Association Certificate of Deposit	\$ 303,698	66%
The First, A National Banking Association Certificate of Deposit	41,316	9%
Magnolia State Bank Certificate of Deposit	<u>102,156</u>	22%
	<u>\$ 447,170</u>	

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ 12,671
	Fiduciary Funds	<u>1,000</u>
Total		<u>\$ 13,671</u>

The purpose of the inter-fund loans was to cover expenditures in the capital improvement fund and represents a certificate of deposit that was redeemed in order to aid in cash flow.

B. Inter-fund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	<u>\$ 431,014</u>

Transfers are made monthly from the District Maintenance Fund to other funds for operations as federal and state funding for those funds is not sufficient to sustain those funds. Interest earned on other funds within the District Maintenance bank account is transferred back to the District Maintenance Fund for operations. Funds are transferred from Activity Funds at the schools for reimbursements that are paid from the District Maintenance Fund.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 4 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 640	\$ -	\$ -	\$ 640
Total non-depreciable capital assets	640	-		640
<u>Depreciable capital assets:</u>				
Buildings	3,690,042	10,000	-	3,700,042
Building improvements	440,530	-	-	440,530
Improvements other than buildings	187,875	-	-	187,875
Mobile equipment	188,072	93,779	-	281,851
Furniture and equipment	826,890	-	-	826,890
Equipment under capital lease	13,093	-	-	13,093
Total depreciable capital assets	5,346,502	103,779	-	5,450,281
<u>Less accumulated depreciation:</u>				
Buildings	1,166,589	66,244	-	1,232,833
Building improvements	77,762	18,057	-	95,819
Improvements other than buildings	152,857	8,084	-	160,941
Mobile equipment	134,317	22,294	-	156,611
Furniture and equipment	494,953	108,378	-	603,331
Equipment under capital lease	935	1,870	-	2,805
Total accumulated depreciation	2,027,413	224,927	-	2,252,340
Total depreciable capital assets, net	3,319,089	(121,148)	-	3,197,941
Governmental activities capital assets, net	\$ 3,319,729	\$ (121,148)	\$ -	\$ 3,198,581

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 17,798
Support Services	200,021
Non-instructional	7,108
	<u>\$ 224,927</u>

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

Note 5 – Long-term Liabilities

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

	<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Amount Due</u> <u>Within One Year</u>
A. Limited obligation bonds payable	\$ 505,000	\$ -	\$ 45,000	\$ 460,000	\$ 45,000
B. Obligations under capital leases	12,271	-	2,144	10,127	2,412
C. Compensated absences payable	47,587	-	453	47,134	-
Total	<u>\$ 564,858</u>	<u>\$ -</u>	<u>\$ 47,597</u>	<u>\$ 517,261</u>	<u>\$ 47,412</u>

A. Limited obligation bonds payable

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
State aid capital improvement bond Cede & Co.	4.4-6%	2/3/1998	2/1/2018	\$ 845,000	\$ 450,000
State aid capital improvement bond Marguerite B. Griffith	4.4-6%	3/1/1998	8/1/2015	10,000	10,000
State aid capital improvement bond Willard B. Morrison, Jr.	4.4-6%	5/11/1998	8/1/2017	<u>15,000</u>	<u>-</u>
Total				<u>\$ 870,000</u>	<u>\$ 460,000</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	45,000	21,803	66,803
2013	50,000	19,475	69,475
2014	55,000	16,875	71,875
2015	60,000	14,000	74,000
2016	50,000	10,375	60,375
2017-2018	<u>200,000</u>	<u>13,250</u>	<u>213,250</u>
	<u>\$ 460,000</u>	<u>\$ 95,778</u>	<u>\$ 555,778</u>

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

This debt will be retired from the MAEP Retirement funds (4041).

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

B. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of a copier at a cost of \$13,093. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
OCE Copier lease	11.81%	1/16/2010	1/16/2015	13,093	10,127
Total				\$ 13,093	\$ 10,127

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

Year Ending June 30	Principal	Interest	Total
2012	2,412	1,068	3,480
2013	2,712	768	3,480
2014	3,051	429	3,480
2015	1,952	78	2,030
	\$ 10,127	\$ 2,343	\$ 12,470

This debt will be retired from District Maintenance.

C. Compensated absences payable

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

Note 6 – 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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2011

Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$334,865, \$350,964 and \$353,967 respectively, which equaled the required contributions for each year.

Note 7 – Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct beginning fund balance of the reserve for inventory	\$ 3,271
Total	<u>\$ 3,271</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
Other Governmental Funds	Correct beginning fund balance of the reserve for inventory	<u>\$ 3,271</u>

Note 8 – Contingencies

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

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. 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.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

REQUIRED SUPPLEMENTAL INFORMATION

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,769,032	\$ 1,782,387	\$ 1,826,921	\$ 13,355	\$ 44,534
State sources	2,479,076	2,337,210	2,337,209	(141,866)	(1)
Federal sources	18,995	9,582	9,582	(9,413)	-
Total Revenues	4,267,103	4,129,179	4,173,712	(137,924)	44,533
Expenditures:					
Instruction	2,282,470	2,125,159	2,125,616	157,311	(457)
Support services	1,518,914	1,340,801	1,340,801	178,113	-
Non-instructional services	42,500	5,521	5,521	36,979	-
Debt service:					
Principal	-	-	2,144	-	(2,144)
Interest	-	-	1,336	-	(1,336)
Total Expenditures	3,843,884	3,471,481	3,475,418	372,403	(3,937)
Excess (Deficiency) of Revenues over (under) Expenditures	423,219	657,698	698,294	234,479	40,596
Other Financing Sources (Uses):					
Insurance loss recoveries	-	-	147	-	147
Proceeds from capital lease	-	-	-	-	-
Other financing sources (uses)	-	-	-	-	-
Operating transfers out	(835,224)	(835,224)	(431,014)	-	404,210
Total Other Financing Sources (Uses)	(835,224)	(835,224)	(430,867)	-	404,357
Net Change in Fund Balances	(412,005)	(177,526)	267,427	234,479	444,953
Fund Balances					
July 1, 2010	844,930	844,930	844,930	-	-
Increase in reserve inventory	-	-	(2,570)	-	(2,570)
June 30, 2011	\$ 432,925	667,404	1,109,787	234,479	442,383

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Required Supplemental Information

Budgetary Comparison Schedule
CISCO GRANT 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	\$ -	\$ -	\$ -	\$ -	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total Revenues	-	-	-	-	-
Expenditures:					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
Non-instructional services	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Other financing sources (uses)	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	205,854	205,854	205,854	-	-
June 30, 2011	\$ 205,854	\$ 205,854	\$ 205,854	\$ -	-

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

FORREST COUNTY 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 revision

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.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

SUPPLEMENTAL INFORMATION

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10.553	\$ 45,299
National school lunch program	10.555	<u>148,393</u>
Total U.S. Department of Agriculture		<u>193,692</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the universal service fund	32.XXX	<u>9,582</u>
Total Federal Communications Commission		<u>9,582</u>
U. S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I, Part A cluster:		
Title I grants to local educational agencies	84.010	273,942
AARA - Title I grants to local educational agencies	84.389	<u>107,918</u>
Total Title I, Part A cluster		<u>381,860</u>
Career and technical education - basic grants to states	84.048	17,125
Safe and drug-free schools and communities - state grants	84.186	2,880
Education technology state grants	84.318	3,016
Rural education	84.358	46,502
ARRA - State fiscal stabilization fund - education state grants	84.394	140,669
Special education cluster:		
Special education - grants to states	84.027	120,087
ARRA - Special education grants to states, Recovery Act	84.391	<u>97,462</u>
Total special education cluster		<u>217,549</u>
Total U S Department of Education		<u>809,601</u>
Total for All Federal Awards		\$ 1,012,875

NOTES TO SCHEDULE

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Supplemental Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2011

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 3,787,376	\$ 3,059,790	\$ 260,638	\$ 109,076	\$ 357,872
Other	<u>1,384,623</u>	<u>663,174</u>	<u>81,830</u>	<u>8,282</u>	<u>631,337</u>
Total	<u>\$ 5,171,999</u>	<u>\$ 3,722,964</u>	<u>\$ 342,468</u>	<u>\$ 117,358</u>	<u>\$ 989,209</u>
Total number of students *	579				
Cost per student	<u>\$ 8,933</u>	<u>\$ 6,431</u>	<u>\$ 591</u>	<u>\$ 203</u>	<u>\$ 1,708</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

* include the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year
include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

OTHER INFORMATION

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

	2011	Unaudited 2010*	Unaudited 2009*	Unaudited 2008*
Revenues				
Local sources	\$ 1,826,921	1,693,101	1,656,445	1,506,186
State sources	2,337,209	2,320,315	2,624,320	2,629,027
Federal sources	9,582	19,216	6,607	7,143
Total Revenues	4,173,712	4,032,632	4,287,372	4,142,356
Expenditures				
Instruction	2,125,616	2,090,067	2,384,269	2,394,045
Support services	1,340,801	1,413,834	1,273,334	1,430,388
Noninstructional services	5,521	9,167	13,300	40,508
Debt service				
Principal	2,144	7,776	741	568
Interest	1,336	1,709	1,436	1,442
Total Expenditures	3,475,418	3,522,553	3,673,080	3,866,951
Excess (Deficiency) of Revenues over Expenditures	698,294	510,079	614,292	275,405
Other Financing Sources (Uses)				
Insurance loss recoveries	147	-	-	-
Operating transfers in	-	-	459,538	360,467
Operating transfers out	(431,014)	(401,094)	(920,624)	(666,441)
Proceeds from capital lease	-	13,093	-	-
Other financing sources	-	398	38,639	9,538
Total Other Financing Sources (Uses)	(430,867)	(387,603)	(422,447)	(296,436)
Net Change in Fund Balances	267,427	122,476	191,845	(21,031)
Fund Balances				
Beginning of period	844,930	724,090	526,855	538,350
Increase (Decrease) in reserve for inventory	(2,570)	(1,636)	5,390	9,536
End of period	\$ 1,109,787	844,930	724,090	526,855

*SOURCE - PRIOR YEAR AUDIT REPORTS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Other Information

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

	2011	Unaudited 2010*	Unaudited 2009*	Unaudited 2008*
Revenues				
Local sources	\$ 1,949,371	1,792,933	1,741,754	1,931,431
State sources	2,512,478	2,490,618	2,978,367	2,937,318
Federal sources	1,028,738	844,158	501,285	470,193
Total Revenues	5,490,587	5,127,709	5,221,406	5,338,942
Expenditures				
Instruction	3,319,522	3,063,473	3,409,320	3,487,377
Support services	1,506,179	1,612,499	1,435,567	1,620,326
Noninstructional services	273,833	246,225	219,007	220,235
Debt service:				
Principal	47,144	52,776	45,741	40,568
Interest	25,321	28,889	29,651	31,592
Total Expenditures	5,171,999	5,003,862	5,139,286	5,400,098
Excess (Deficiency) of Revenues over Expenditures	318,588	123,847	82,120	(61,156)
Other Financing Sources (Uses)				
Insurance loss recoveries	147	-	-	-
Operating transfers in	431,014	401,094	920,624	775,372
Operating transfers out	(431,014)	(401,094)	(920,624)	(775,372)
Proceeds from capital lease	-	13,093	-	-
Other financing sources (uses)	-	398	44,725	(7,534)
Total Other Financing Sources (Uses)	147	13,491	44,725	(7,534)
Net Change in Fund Balances	318,735	137,338	126,845	(68,690)
Fund Balances				
Beginning, as originally reported	1,509,340	1,372,261	1,238,824	1,299,090
Prior period adjustments	3,271	-	-	-
Beginning of period, as restated	1,512,611	1,372,261	1,238,824	1,299,090
Increase (Decrease) in reserve for inventory	(972)	(259)	6,592	8,424
End of period	\$ 1,830,374	1,509,340	1,372,261	1,238,824

*SOURCE - PRIOR YEAR AUDIT REPORTS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**INDEPENDENT AUDITORS' 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**

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Mississippi Society of
Certified Public Accountants

**INDEPENDENT AUDITORS' 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
Forrest County Agricultural High School

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2011, which collectively comprise the Forrest County Agricultural High School's basic financial statements and have issued our report thereon dated December 28, 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

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 school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results

Page 2

of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance or other matters that we reported to management in a separate letter dated December 28, 2011, which is included in this report.

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. However, this report is a matter of public record and its distribution is not limited.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
December 28, 2011

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

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

Superintendent and School Board
Forrest County Agricultural High School

Compliance

We have audited Forrest County Agricultural High School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Forrest County Agricultural High School's major federal programs for the year ended June 30, 2011. Forrest County Agricultural High School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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, Forrest County Agricultural High School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Forrest County Agricultural High School 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 the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on

Compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for 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 a 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 would not necessarily identify all deficiencies in the internal control that might be 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. However, this report is a matter of public record and its distribution is not limited.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
December 28, 2011

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

American Institute of
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King CPA, PLLC

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Mississippi Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Forrest County Agricultural High School

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2011, which collectively comprise Forrest County Agricultural High School's basic financial statements and have issued our report thereon dated December 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported **\$5,913** of classroom supply funds carried over from previous years.

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

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

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

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

Page 2

Finding 1 EEF Expenditures

Section 37-61-33(3)(a)(iii) Mississippi Code Ann. (1972) states that the school district should use EEF classroom supplies for the acquisition of classroom supplies, instructional materials, and/or equipment.

In performing tests to the District's EEF expenditures we noted an instance that a teacher used his/her EEF allocation to purchase trophies and plaques for student award banquet and an instance where a teacher used his/her EEF allocation to purchase pizza for students as a reward for reading improvement.

Recommendation:

We recommend the district comply Section 37-61-33(3)(a)(iii) Mississippi Code Ann. (1972) and use EEF monies to only purchase expenditures allowed under this section.

School District Response:

The Forrest County Agricultural High School has addressed and corrected this issue.

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

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

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

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
December 28, 2011

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
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 on the general purpose financial statements: UNQUALIFIED
2. Material noncompliance relating to the general purpose financial statements? NO
3. Internal control over financial reporting:
 - a. Material weakness (es) identified? NO
 - b. Significant Deficiency(ies) identified that are not considered to be material weakness? NONE REPORTED

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: UNQUALIFIED
5. Internal control over major programs:
 - a. Material weakness (es) identified? NO
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE REPORTED
6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? NO
7. Federal programs identified as major programs:

Title I – grants to local education agencies	CFDA # <u>84.010</u>
ARRA -Title I – grants to local education agencies, Recovery act	CFDA # <u>84.389</u>
Title VI – Rural education	CFDA # <u>84.358</u>
Special Education – grants to states	CFDA # <u>84.027</u>
Special Education – grants to states, Recovery Act	CFDA # <u>84.391</u>

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Schedule of Findings and Questioned Costs (continued)

8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? NO
10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section __.315(b) of OMB Circular A-133? NO

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315 (b) of OMB Circular A-133, the Forrest County Agricultural High School has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2011:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
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There are no unresolved prior audit findings.