



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

FRANKLIN COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011



FRANKLIN COUNTY SCHOOL DISTRICT
Table of Contents

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
<u>Government-wide financial statements</u>	
Exhibit A - Statement of Net Assets	11
Exhibit B - Statement of Activities.....	12
<u>Governmental Fund Financial Statements</u>	
Exhibit C - Balance Sheet.....	13
Exhibit C-1 - Reconciliation of Government Funds Balance Sheet to the Statement of Net Assets.....	14
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	16
Exhibit E - Statement of Fiduciary Net Assets.....	17
Exhibit F - Statement of Changes in Fiduciary Net Assets.....	18
<u>Notes to Financial Statements</u>	19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	33
Notes to the Required Supplemental Information.....	34
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards.....	35
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds.....	36
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years.....	37
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds , Last Four Years.....	38
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	41
Independent Auditor's Report On Compliance with State Laws and Regulations.....	43
Schedule of Findings and Questioned Costs.....	45
Auditee's Corrective Action Plan.....	49



McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

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

June 10, 2013

Superintendent and School Board
Franklin County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, on

130 Shadow Lake Drive - Hattiesburg, MS 39402
Tel : 601-296-1007 / 601-408-1980
Fax: 601-736-0039
Email: mccpafirm@gmail.com

our consideration of the Franklin County 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.

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

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

McDaniel CPA Firm

MANAGEMENT'S DISCUSSION AND ANALYSIS



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

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$1,812,022, which represents a 20% increase from fiscal year 2010. Total net assets for 2010 increased \$385,560, including a prior period adjustment of \$(4,482), which represents a 4% increase from fiscal year 2009.
- General revenues amounted to \$12,119,944 and \$11,639,391, 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 \$3,953,914, or 25% of total revenues for 2011, and \$3,888,399, or 25% of total revenues for 2010.
- The District had \$14,261,836 and \$15,137,748 in expenses for fiscal years 2011 and 2010; only \$3,953,914 for 2011 and \$3,888,399 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,119,944 for 2011 and \$11,639,391 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,993,796 in revenues and \$9,622,698 in expenditures for 2011, and \$9,930,170 in revenues and \$10,816,997 in expenditures in 2010. The General Fund's fund balance increased by \$1,789,338 from 2010 to 2011, and increased by \$154,636 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$339,546 for 2011 and decreased by \$103,469 for 2010. The decrease for 2011 was due to the disposal of various items of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$106,516 for 2011 and decreased by \$2,397 for 2010. The increase for 2011 was due primarily to the issuance of a shortfall note in the amount of \$113,420 during the fiscal year. The liability for compensated absences decreased by \$6,904 for 2011 and decreased by \$2,397 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.

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

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

deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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 as required by the Governmental Accounting Standards Board.

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$10,959,504 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.

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

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

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 2,607,097	\$ 1,498,286	74.01 %
Restricted assets	3,520,713	2,930,693	20.13 %
Capital assets, net	<u>5,214,636</u>	<u>5,554,182</u>	(6.11) %
Total assets	<u>11,342,446</u>	<u>9,983,161</u>	13.62 %
Current liabilities	131,389	690,642	(80.98) %
Long-term debt outstanding	251,553	145,037	73.44 %
Total liabilities	<u>382,942</u>	<u>835,679</u>	(54.18) %
Net assets:			
Invested in capital assets, net of related debt	5,214,636	5,554,182	(6.11) %
Restricted	6,420,663	5,951,917	7.88 %
Unrestricted	(675,795)	(2,358,617)	(71.35) %
Total net assets	<u>\$ 10,959,504</u>	<u>\$ 9,147,482</u>	19.81 %

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 \$339,546.
- Proceeds from the issuance of a shortfall note in the amount of \$113,420.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$16,073,858 and \$15,527,790, respectively. The total cost of all programs and services was \$14,261,836 for 2011 and \$15,137,748 for 2010.

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

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</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 690,449	\$ 712,895	(3.15) %
Operating grants and contributions	3,263,465	3,175,504	2.77 %
General revenues:			
Property taxes	2,306,036	2,233,890	3.23 %
Grants and contributions not restricted	7,764,758	7,800,040	(0.45) %
Investment earnings	145,770	156,804	(7.04) %
Sixteenth section sources	1,866,297	1,414,639	31.93 %
Other	37,083	34,018	9.01 %
Total revenues	<u>16,073,858</u>	<u>15,527,790</u>	3.52 %
Expenses:			
Instruction	8,477,828	9,077,790	(6.61) %
Support services	4,747,964	5,034,250	(5.69) %
Non-instructional	805,618	852,918	(5.55) %
Sixteenth section	124,964	59,117	111.38 %
Interest and other expenses on long-term liabilities	105,462	113,673	(7.22) %
Total expenses	<u>14,261,836</u>	<u>15,137,748</u>	(5.79) %
Increase (Decrease) in net assets	<u>1,812,022</u>	<u>390,042</u>	364.57 %
Net Assets, July 1, as originally reported	<u>9,147,482</u>	<u>8,761,922</u>	4.40 %
Prior Period Adjustment	<u>-</u>	<u>(4,482)</u>	(100.00) %
Net Assets, July 1, as restated	<u>9,147,482</u>	<u>8,757,440</u>	4.45 %
Net Assets, June 30	<u>\$ 10,959,504</u>	<u>\$ 9,147,482</u>	19.81 %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 8,477,828	\$ 9,077,790	(6.61) %
Support services	4,747,964	5,034,250	(5.69) %
Non-instructional	805,618	852,918	(5.55) %
Sixteenth section	124,964	59,117	111.38 %
Interest on long-term liabilities	105,462	113,673	(7.22) %
Total expenses	\$ 14,261,836	\$ 15,137,748	(5.79) %

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (6,301,546)	\$ (7,087,097)	(11.08) %
Support services	(4,061,197)	(4,262,418)	(4.72) %
Non-instructional	48,771	83,053	(41.28) %
Sixteenth section	111,512	130,786	(14.74) %
Interest on long-term liabilities	(105,462)	(113,673)	(7.22) %
Total net (expense) revenue	\$ (10,307,922)	\$ (11,249,349)	(8.37) %

- Net cost of governmental activities (\$10,307,922 for 2011 and \$11,249,349 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,306,036 for 2011 and \$2,233,890 for 2010) and state and federal revenues (\$7,764,758 for 2011 and \$7,800,040 for 2010). In addition, there was \$1,866,297 and \$1,414,639 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$145,770 for 2011 and \$156,804 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.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,999,733, an increase of \$2,261,396, which includes an increase in reserve for inventory of \$1,965. The unassigned fund balance, 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, is \$(661,351) at fiscal year end. The remaining fund balance of \$6,661,084 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.

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,789,338. The fund balance of Other Governmental Funds showed an increase in the amount of \$131,842, which includes an increase in reserve for inventory of \$1,965. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$ 340,216

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. A budget revision was made to increase revenues from state sources in the General Fund to reflect actual state sources received. Amounts originally budgeted were understated. Other budget revisions made during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$11,200,048, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$193,995 from 2010 which is due to the disposal of four school buses and three copiers. Total accumulated depreciation as of June 30, 2011, was \$5,985,412, and total depreciation expense for the year was \$318,412, resulting in total net capital assets of \$5,214,636.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 61,590	\$ 61,590	0.00 %
Buildings	2,750,171	2,826,185	(2.69) %
Building improvements	1,248,158	1,311,316	(4.82) %
Improvements other than buildings	295,504	308,649	(4.26) %
Mobile equipment	775,881	932,873	(16.83) %
Furniture and equipment	83,332	113,569	(26.62) %
Total	\$ 5,214,636	\$ 5,554,182	(6.11) %

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

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

Debt Administration. At June 30, 2011, the District had \$251,553 in outstanding long-term debt, of which \$43,315 is due within one year. During the fiscal year, the District received proceeds from the issuance of a shortfall note in the amount of \$113,420. The liability for compensated absences decreased \$6,904 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Shortfall notes payable	\$ 113,420	\$ -	N/A %
Compensated absences payable	138,133	145,037	(4.76) %
Total	<u>\$ 251,553</u>	<u>\$ 145,037</u>	73.44 %

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

CURRENT ISSUES

The Franklin County 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Franklin County School District, P. O. Box 605, Meadville, MS 39653.

BASIC FINANCIAL STATEMENTS



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

Exhibit A

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 1,874,189
Due from other governments	569,621
Inventories	28,652
Prepaid items	134,635
Restricted assets	3,520,713
Capital assets, non-depreciable:	
Land	61,590
Capital assets, net of accumulated depreciation:	
Buildings	2,750,171
Building improvements	1,248,158
Improvements other than buildings	295,504
Mobile equipment	775,881
Furniture and equipment	83,332
Total Assets	11,342,446
Liabilities:	
Accounts payable and accrued liabilities	122,164
Unearned revenue	5,913
Interest payable on long-term liabilities	3,312
Long-term liabilities, due within one year:	
Non-capital related liabilities	43,315
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	208,238
Total Liabilities	382,942
Net Assets:	
Invested in capital assets, net of related debt	5,214,636
Restricted net assets:	
Expendable:	
School-based activities	364,884
Debt service	33,089
Forestry improvements	239,014
Unemployment benefits	39,524
Non-expendable:	
Sixteenth section	5,744,152
Unrestricted	(675,795)
Total Net Assets	10,959,504

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

Franklin County School District
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 8,477,828	257,259	1,919,023	-	\$ (6,301,546)
Support services	4,747,964	13,829	672,938	-	(4,061,197)
Non-instructional	805,618	182,885	671,504	-	48,771
Sixteenth section	124,964	236,476	-	-	111,512
Interest on long-term liabilities	105,462	-	-	-	(105,462)
Total governmental activities	\$ 14,261,836	690,449	3,263,465	-	(10,307,922)

General Revenues:	
Taxes:	
General purpose levies	2,306,036
Unrestricted grants and contributions:	
State	6,728,906
Federal	1,035,852
Unrestricted investment earnings	145,770
Sixteenth section sources	1,866,297
Other	37,083
Total General Revenues	12,119,944

Change in Net Assets	1,812,022
Net Assets - Beginning	9,147,482
Net Assets - Ending	\$ 10,959,504

Franklin County School District
 Balance Sheet - Governmental Funds
 June 30, 2011

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	16th Section Principal Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 1,266,119	3,520,713	608,070	\$ 5,394,902
Due from other governments	358,045		211,576	569,621
Due from other funds	122,351		51,887	174,238
Advance to other funds		2,223,439		2,223,439
Inventories			28,652	28,652
Prepaid items	134,635			134,635
Total Assets	1,881,150	5,744,152	900,185	8,525,487
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	46,414		75,750	122,164
Due to other funds	35,539		138,699	174,238
Advances from other funds	2,223,439			2,223,439
Unearned revenue			5,913	5,913
Total Liabilities	2,305,392	-	220,362	2,525,754
Fund Balances:				
Nonspendable:				
Inventory			28,652	28,652
Permanent fund principal		3,520,713		3,520,713
Advances		2,223,439		2,223,439
Prepaid items	134,635			134,635
Restricted:				
Debt service			36,401	36,401
Forestry improvement purposes			239,014	239,014
Grant activities			283,534	283,534
Unemployment benefits			39,524	39,524
Sixteenth section			52,698	52,698
Assigned:				
Activity Funds	102,474			102,474
Unassigned:				
	(661,351)			(661,351)
Total Fund Balances	(424,242)	5,744,152	679,823	5,999,733
Total Liabilities and Fund Balances	\$ 1,881,150	5,744,152	900,185	\$ 8,525,487

FRANKLIN COUNTY SCHOOL DISTRICT

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

Exhibit C-1

	<u>Amount</u>
Total fund balance for governmental funds	\$ 5,999,733
Amount reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	61,590
Buildings	6,420,289
Building Improvements	1,578,945
Improvements other than buildings	569,883
Mobile equipment	2,048,723
Furniture and equipment	520,618
Accumulated depreciation	<u>(5,985,412)</u>
	5,214,636
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:	
Notes payable	(113,420)
Compensated absences	(138,133)
Accrued interest payable	(3,312)
	<u>(254,865)</u>
Net assets of governmental activities	<u><u>\$ 10,959,504</u></u>

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

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	16th Section Principal Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 2,628,000		167,263	\$ 2,795,263
State sources	6,738,274		580,173	7,318,447
Federal sources	627,522		3,082,254	3,709,776
Sixteenth section sources		468,216	1,768,327	2,236,543
Total Revenues	9,993,796	468,216	5,598,017	16,060,029
Expenditures:				
Instruction	5,797,291		2,532,241	8,329,532
Support services	3,719,415		850,180	4,569,595
Noninstructional services	3,842		800,768	804,610
Sixteenth section			124,964	124,964
Debt service:				
Interest	102,150			102,150
Total Expenditures	9,622,698	-	4,308,153	13,930,851
Excess (deficiency) of revenues over expenditures	371,098	468,216	1,289,864	2,129,178
Other Financing Sources (Uses):				
Bonds and notes issued	113,420			113,420
Insurance recovery	13,829			13,829
Sale of transportation equipment	3,004			3,004
Operating transfers in	1,691,037		531,050	2,222,087
Operating transfers out	(403,050)	(128,000)	(1,691,037)	(2,222,087)
Total Other Financing Sources (Uses)	1,418,240	(128,000)	(1,159,987)	130,253
Net change in fund balances	1,789,338	340,216	129,877	2,259,431
Fund Balances:				
July 1, 2010	(2,213,580)	5,403,936	547,981	3,738,337
Increase(Decrease) in reserve for inventory June 30, 2011	\$ (424,242)	5,744,152	679,823	\$ 5,999,733

FRANKLIN COUNTY SCHOOL DISTRICT
 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

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ 2,259,431
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays 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	-
Depreciation expense	<u>(318,412)</u>
	(318,412)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	
	(21,134)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:	
Bonds and notes issued	(113,420)
Accrued interest payable	<u>(3,312)</u>
	(116,732)
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:	
Change in compensated absences	6,904
Change in inventory reserve	<u>1,965</u>
	8,869
 Change in net assets of governmental activities	 <u><u>\$ 1,812,022</u></u>

FRANKLIN COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2011

Exhibit E

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ -	\$ 606,769
Investments	70,362	
Total Assets	<u>70,362</u>	<u>606,769</u>
Liabilities		
Accounts payable and accrued liabilities		569,339
Due to student clubs		37,430
Total Liabilities	<u>-</u>	<u>\$ 606,769</u>
Net assets		
Reserved for endowments	<u>70,362</u>	
Total Net Assets	<u>70,362</u>	

FRANKLIN COUNTY SCHOOL DISTRICT
 Statement of Changes in Fiduciary Net Assets
 For the year ended June 30, 2011

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 797
<i>Total additions</i>	<u>797</u>
Deductions	
<i>Total deductions</i>	<u>-</u>
Change in Net Assets	<u>797</u>
Net Assets	
July 1, 2010	<u>69,565</u>
June 30, 2011	<u>\$ 70,362</u>

NOTES TO FINANCIAL STATEMENTS



FRANKLIN COUNTY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

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

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Principal Fund - This is a permanent fund used to account for resources from sixteenth section lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

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 fund serves as a clearing fund for payroll type transactions.

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

Higginbotham Memorial Scholars Fund - This fund is used to report a trust arrangement, other than those properly reported elsewhere, under which the principal and income benefit students through scholarships.

FRANKLIN COUNTY SCHOOL DISTRICT

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

Accounts Payable Clearing Fund - This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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 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.

FRANKLIN COUNTY SCHOOL DISTRICT

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

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

Ad valorem property taxes are levied by the governing authority of the 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.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

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

9. Fund Balances

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

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

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

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

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

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

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 management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,394,902 and \$677,131 (which includes \$70,362 of certificates of deposit with original maturities beyond three months and reported on the Statement of Fiduciary Net Assets 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 name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$6,406,729 was exposed to custodial credit risk.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	1 year	\$ 70,362
Total			\$ 70,362

FRANKLIN COUNTY SCHOOL DISTRICT

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

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2011, the district did not have any investments to which this would apply.

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

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 122,351
Other governmental funds	General Fund	35,539
	Other governmental funds	16,348
Total		<u>\$ 174,238</u>

The primary purpose of the interfund balances was to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All inter-fund receivables and payables are expected to be repaid within one year.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 2,223,439
Total		<u>\$ 2,223,439</u>

Sixteenth section principal loans payable

The sixteenth section principal loans payable are not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 236,764	\$ 88,938	\$ 325,702
2013	227,559	79,467	307,026
2014	213,537	70,365	283,902
2015	204,037	61,823	265,860
2016	188,797	53,662	242,459
2017 - 2021	640,623	172,976	813,599
2022 - 2026	440,758	61,733	502,491
2027 - 2029	71,364	4,441	75,805
Total	\$ 2,223,439	\$ 593,405	\$ 2,816,844

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 403,050
Sixteenth Section Principal Fund	Other governmental funds	128,000
Other governmental funds	General Fund	1,691,037
Total		\$ 2,222,087

The transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, unemployment transfers, debt service transfers and the transfer of expendable sixteenth section resources.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$3,520,713 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 61,590	\$	\$	\$ 61,590
Total non-depreciable capital assets	61,590	-	-	61,590
<u>Depreciable capital assets:</u>				
Buildings	6,420,289			6,420,289
Building improvements	1,578,945			1,578,945
Improvements other than buildings	569,883			569,883
Mobile equipment	2,215,173		166,450	2,048,723
Furniture and equipment	548,163		27,545	520,618
Total depreciable capital assets	11,332,453	-	193,995	11,138,458
<u>Less accumulated depreciation for:</u>				
Buildings	3,594,104	76,014		3,670,118
Building improvements	267,629	63,158		330,787
Improvements other than buildings	261,234	13,145		274,379
Mobile equipment	1,282,300	140,347	149,805	1,272,842
Furniture and equipment	434,594	25,748	23,056	437,286
Total accumulated depreciation	5,839,861	318,412	172,861	5,985,412
Total depreciable capital assets, net	5,492,592	(318,412)	21,134	5,153,046
Governmental activities capital assets, net	\$ 5,554,182	\$ (318,412)	\$ 21,134	\$ 5,214,636

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 153,129
Support services	161,965
Non-instructional	3,318
Total depreciation expense	\$ 318,412

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Shortfall notes payable	\$ -	\$ 113,420	\$	\$ 113,420	\$ 36,408
B. Compensated absences payable	145,037		6,904	138,133	6,907
Total	\$ 145,037	\$ 113,420	\$ 6,904	\$ 251,553	\$ 43,315

A. Shortfall notes payable

Debt currently outstanding is as follows:

FRANKLIN COUNTY SCHOOL DISTRICT

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note, Series 2010	3.95%	10/5/2010	10/5/2013	\$ 113,420	\$ 113,420
Total				<u>\$ 113,420</u>	<u>\$ 113,420</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 36,408	\$ 4,511	\$ 40,919
2013	37,867	3,051	40,918
2014	39,145	1,550	40,695
Total	<u>\$ 113,420</u>	<u>\$ 9,112</u>	<u>\$ 122,532</u>

B. Compensated absences payable

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

Note 7 – Short-Term Financing

During the fiscal year ended June 30, 2011, the school district participated in the following short-term financing for the purpose of financing ongoing operations until the anticipated tax revenues were received:

Tax anticipation note payable.

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

Description	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011
Tax anticipation note payable	\$ -	\$ 200,000	\$ 200,000	\$ -
Total	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>

Note 8 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members

FRANKLIN COUNTY SCHOOL DISTRICT

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

and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$962,098, \$1,047,794 and \$1,015,892, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 107,442
2013	75,438
2014	27,665
2015	19,165
2016	501
2017 – 2021	1,321
2022 – 2026	1,321
2027 – 2031	1,321
2032 – 2036	1,321
Thereafter	16,933
Total	<u>\$ 252,428</u>

Note 10 – Contingencies

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

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

financial condition of the school district.

Note 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

Note 12 - Insurance loss recoveries

The Franklin County School District received \$13,829 in insurance loss recoveries related to school bus accidents during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

REQUIRED SUPPLEMENTARY INFORMATION



FRANKLIN COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2011

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	2,892,307	2,628,000	2,628,000	(264,307)	-
State sources	5,602,500	6,738,274	6,738,274	1,135,774	-
Federal sources	655,878	627,522	627,522	(28,356)	-
Total Revenues	9,150,685	9,993,796	9,993,796	843,111	-
Expenditures:					
Instruction	5,966,050	5,796,128	5,797,291	169,922	(1,163)
Support services	4,040,628	3,719,415	3,719,415	321,213	-
Non-instructional services	12,283	3,842	3,842	8,441	-
Facilities acquisition and construction				-	-
Debt service:					
Principal	260,000			260,000	-
Interest	105,000	102,150	102,150	2,850	-
Total Expenditures	10,383,961	9,621,535	9,622,698	762,426	(1,163)
Excess (deficiency) of revenues over expenditures	(1,233,276)	372,261	371,098	1,605,537	(1,163)
Other Financing Sources (Uses)					
Bonds and notes issued	-	-	113,420	-	113,420
Insurance loss recoveries		13,829	13,829	13,829	-
Sale of transportation equipment		3,004	3,004	3,004	-
Operating transfers in	2,306,970	2,484,488	1,691,037	177,518	(793,451)
Operating transfers out	(1,073,694)	(1,161,263)	(403,050)	(87,569)	758,213
Total Other Financing Sources (Uses)	1,233,276	1,340,058	1,418,240	106,782	78,182
					156,364
Net change in fund balances	-	1,712,319	1,789,338	1,712,319	77,019
Fund Balances:					
July 1, 2010	(2,391,556)	(2,213,580)	(2,213,580)	177,976	-
June 30, 2011	(2,391,556)	(501,261)	(424,242)	1,890,295	77,019

FRANKLIN COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) **Basis of Presentation.**

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

(2) **Budget Amendments and Revisions.**

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

SUPPLEMENTAL INFORMATION



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

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed - through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	171,377
National school lunch program	10.555	485,798
Summer food service program for children	10.559	27,803
Total child nutrition cluster		<u>684,978</u>
Passed-through Franklin County:		
Schools and roads cluster:		
Schools and roads - grants to states	10.665	518,548
Total schools and roads cluster		<u>518,548</u>
Total U.S. Department of Agriculture		<u>1,203,526</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	61,834
Total U.S. Department of Defense		<u>61,834</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	24,297
Total Federal Communications Commission		<u>24,297</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I cluster:		
Title I grants to local educational agencies	84.010	464,066
ARRA Title I grants to local educational agencies, recovery act	84.389	130,000
Total Title I cluster		<u>594,066</u>
Career and technical education - basic grants to states	84.048	20,802
Twenty-first century community learning centers	84.287	321,977
Education technology state grants	84.318	4,273
Rural education	84.358	22,772
Improving teacher quality state grants	84.367	132,513
ARRA State fiscal stabilization fund - Education state grants - Recovery Act	84.394	406,622
Education jobs fund	84.410A	303,641
Total		<u>1,212,600</u>
Special education cluster:		
Special education - grants to states	84.027	293,120
Special education - preschool grants	84.173	26,032
ARRA Special education - grants to states - Recovery Act	84.391	153,811
ARRA Special education - preschool grants - Recovery Act	84.392	3,103
Total special education cluster		<u>476,066</u>
Total passed-through Mississippi Department of Education		<u>2,282,732</u>
Total U.S. Department of Education		<u>2,282,732</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health:		
Medical assistance program	93.778	49,769
Total		<u>49,769</u>
Total U.S. Department of Health and Human Services		<u>49,769</u>
Total for All Federal Awards		<u>\$ 3,622,158</u>

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures			
		General Administration	School Administration	Other	
Salaries and fringe benefits	\$ 11,538,198	628,969	745,214	1,121,475	
Other	2,392,653	152,412	43,521	1,214,575	
Total	13,930,851	781,381	788,735	2,336,050	
Total number of students *		1,385			
Cost per student		10,058			
		7,238			
		564			
		569			
		1,687			

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); 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

OTHER SUPPLEMENTAL INFORMATION



FRANKLIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,628,000	2,622,105	2,532,931	2,572,516
State sources	6,738,274	6,517,223	7,153,502	7,704,021
Federal sources	627,522	790,842	737,798	817,538
Total Revenues	<u>9,993,796</u>	<u>9,930,170</u>	<u>10,424,231</u>	<u>11,094,075</u>
Expenditures:				
Instruction	5,797,291	6,519,790	7,106,402	7,179,243
Support services	3,719,415	4,126,677	4,176,228	4,159,685
Noninstructional services	3,842	5,367	6,634	10,788
Facilities acquisition and construction		51,490	252,192	702,479
Debt service:				
Interest	102,150	113,673	113,712	95,813
Total Expenditures	<u>9,622,698</u>	<u>10,816,997</u>	<u>11,655,168</u>	<u>12,148,008</u>
Excess (Deficiency) of Revenues over Expenditures	<u>371,098</u>	<u>(886,827)</u>	<u>(1,230,937)</u>	<u>(1,053,933)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	113,420			
Insurance loss recoveries	13,829	2,441		
Sale of transportation equipment	3,004		4,503	3,521
Sale of other property			200	50
Operating transfers in	1,691,037	1,533,630	1,872,569	304,467
Operating transfers out	(403,050)	(494,608)	(842,445)	(410,249)
Total Other Financing Sources (Uses)	<u>1,418,240</u>	<u>1,041,463</u>	<u>1,034,827</u>	<u>(102,211)</u>
Net Change in Fund Balances	<u>1,789,338</u>	<u>154,636</u>	<u>(196,110)</u>	<u>(1,156,144)</u>
Fund Balances:				
Fund balance, July 1	<u>(2,213,580)</u>	<u>(2,368,216)</u>	<u>(2,172,106)</u>	<u>(1,015,962)</u>
Fund balance, June 30	<u>\$ (424,242)</u>	<u>(2,213,580)</u>	<u>(2,368,216)</u>	<u>(2,172,106)</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

FRANKLIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,795,263	2,797,464	2,697,224	2,719,125
State sources	7,318,447	7,020,662	7,768,207	8,367,392
Federal sources	3,709,776	3,954,882	2,535,181	2,654,842
Sixteenth section sources	2,236,543	1,752,341	1,940,556	1,057,589
Total Revenues	<u>16,060,029</u>	<u>15,525,349</u>	<u>14,941,168</u>	<u>14,798,948</u>
Expenditures:				
Instruction	8,329,532	8,928,596	8,522,290	8,704,412
Support services	4,569,595	5,068,562	4,972,889	4,957,467
Noninstructional services	804,610	817,414	804,001	755,493
Sixteenth section	124,964	59,117	54,923	43,276
Facilities acquisition and construction		51,490	252,192	736,660
Debt service:				
Interest	102,150	113,673	113,712	95,813
Other				
Total Expenditures	<u>13,930,851</u>	<u>15,038,852</u>	<u>14,720,007</u>	<u>15,293,121</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,129,178</u>	<u>486,497</u>	<u>221,161</u>	<u>(494,173)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	113,420			
Insurance loss recoveries	13,829	2,441		
Sale of transportation equipment	3,004		4,503	3,521
Sale of other property			200	50
Operating transfers in	2,222,087	2,038,233	2,262,431	714,716
Operating transfers out	(2,222,087)	(2,038,233)	(2,262,431)	(714,716)
Total Other Financing Sources (Uses)	<u>130,253</u>	<u>2,441</u>	<u>4,703</u>	<u>3,571</u>
Net Change in Fund Balances	<u>2,259,431</u>	<u>488,938</u>	<u>225,864</u>	<u>(490,602)</u>
Fund Balances:				
Fund balance, July 1	3,738,337	3,251,705	3,018,359	3,519,071
Prior period adjustments				(2,796)
Fund balance, July 1, as restated	<u>3,738,337</u>	<u>3,251,705</u>	<u>3,018,359</u>	<u>3,516,275</u>
Increase (Decrease) in reserve for inventory	<u>1,965</u>	<u>(2,306)</u>	<u>7,482</u>	<u>(7,314)</u>
Fund balance, June 30	<u>\$ 5,999,733</u>	<u>3,738,337</u>	<u>3,251,705</u>	<u>3,018,359</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society
of Certified Public
Accountants

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

June 10, 2013

Superintendent and School Board
Franklin County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Franklin County School District as of and for the year ended June 30, 2011, which collectively comprise Franklin County School District's basic financial statements and have issued our report thereon dated June 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Finding 2011-1 and 2011-4.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. Finding 2011-2, Finding 2011-3, and Finding 2011-5.

Compliance and Other Matters

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

Franklin County School District's responses to the findings identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Franklin County School District's responses 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.

McDaniel CPA Firm

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

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

June 10, 2013

Superintendent and School Board
Franklin County School District

Compliance

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

130 Shadow Lake Drive - Hattiesburg, MS 39402
Tel : 601-296-1007 / 601-408-1980
Fax: 601-736-0039
Email: mccpafirm@gmail.com

Internal Control Over Compliance

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

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

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

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

McDaniel CPA Firm

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

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

June 10, 2013

Superintendent and School Board
Franklin County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Franklin County School District as of and for the year ended June 30, 2011, which collectively comprise Franklin County School District's basic financial statements and have issued our report thereon dated June 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$1,054 of classroom supply funds carried over from previous years.

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

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

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.

130 Shadow Lake Drive - Hattiesburg, MS 39402
Tel : 601-296-1007 / 601-408-1980
Fax: 601-736-0039
Email: mccpafirm@gmail.com

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

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

McDaniel CPA Firm

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | unqualified |
| 2. | Noncompliance material to financial statements noted? | no |
| 3. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | yes |
| | b. Significant deficiency (ies) identified that are not considered to be material weaknesses? | yes |

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 Circular A-133? | no |
| 7. | Federal programs identified as major programs: | |
| | a. Child Nutrition Cluster: | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| | b. Twenty-first century community learning centers | |
| | CFDA #: 84.287 | |
| | c. Education jobs grant | |
| | CFDA #: 84.410A | |
| | d. Schools and roads - grants to states | |
| | CFDA #: 10.665 | |
| 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 relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in section ____ .315(b) of OMB Circular A-133? | no |

Section 2: Financial Statement Findings

2011-1 Condition

The State Audit Department is investigating the former business manager who resigned in February 2012, for possibly charging personal items on the school district's wal-mart and sam's card. The State Audit Department is also investigating the possibility of missing funds from athletic events that was turned in at the central office.

Effect

The loss of school district assets.

Cause

Lack of segregation of duties.

Criteria

There should be a segregation of duties between the recording of transactions and the custodial responsibilities of those assets.

Recommendation

We recommend that the school district implement controls so that there is a segregation of duties between the recording of transactions and the custodial responsibilities of those assets.

2011-2 Condition

Various fixed assets of the district were listed as active on the fixed asset listing, however, these assets should have been marked disposed.

Effect

The district has an incorrect fixed asset listing.

Cause

The proper paperwork for disposal was not recorded in a timely manner.

Criteria

All fixed assets that are disposed should be marked as such on the district's fixed asset software program.

Recommendation

We recommend that the district implement procedures to have an accurate and correct fixed asset listing.

2011-3 Condition

There appears to have been a lack of oversight over charges to the school district credit card.

Effect

Without proper oversight, charges to the district's credit card may have been used for personal purposes.

Cause

There was a lack of oversight and accountability for the purchase of goods with the district's credit card.

Criteria

Charges to the district's credit card should be verified by an independent person at the district to ensure that these purchases were for the district's use.

Recommendation

We recommend that an independent employee of the district review and verify charges to the district's credit card.

2011-4 Condition

It appears that the former business manager who resigned in February 2012, charged personal expenses to the school district's credit card.

Effect

The district paid for goods that the district never received.

Cause

There was a lack of oversight and accountability for the purchase of goods with the district's credit card.

Criteria

Charges to the district's credit card should be verified by an independent person at the district to ensure that these purchases were for the district's use.

Recommendation

We recommend that all credit card purchases are approved by a person of management at the district.

2011-5 Condition

Certain accounts of the district were not setup on the district's accounting software correctly.

Effect

This condition caused certain reports to be incorrect.

Cause

The district was not aware that these accounts were not setup properly.

Criteria

All accounts should be setup properly in the district's accounting program

Recommendation

We recommend that the district setup all accounts of the district in the accounting software correctly.

Section 3: Federal Award Findings and Questioned Costs

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

Auditee's Corrective Action Plan

Financial Compliance & Audit Division

As required by Section ____315(c) of OMB Circular A-133, the Franklin County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-1	<p>a. Name of Contact Persons Responsible for Corrective Action: Tremel Young, Business Manager (601) 384-2340</p> <p>b. Corrective Action Planned: The district will implement procedures to ensure that there is a segregation of duties between the recording of transactions and the custodial responsibility of those assets.</p> <p>c. Anticipated Completion Date: Completed.</p>
2011-2	<p>a. Name of Contact Persons Responsible for Corrective Action: Tremel Young, Business Manager (601) 384-2340</p> <p>b. Corrective Action Planned: The district will implement procedures to ensure that the district's fixed asset listing is complete and accurate.</p> <p>c. Anticipated Completion Date: Completed.</p>
2011-3	<p>a. Name of Contact Persons Responsible for Corrective Action: Tremel Young, Business Manager (601) 384-2340</p> <p>b. Corrective Action Planned:</p>

The district will implement procedures to ensure that charges to the school district's credit card are made school purposes only.

c. Anticipated Completion Date: Completed.

2011-4

a. Name of Contact Persons Responsible for Corrective Action:

Tremel Young, Business Manager (601) 384-2340

b. Corrective Action Planned:

The district will implement procedures to ensure that charges to the school district's credit card are made school purposes only.

c. Anticipated Completion Date: Completed.

2011-5

a. Name of Contact Persons Responsible for Corrective Action:

Tremel Young, Business Manager (601) 384-2340

b. Corrective Action Planned:

The district will implement procedures to ensure that all general ledger accounts are setup correctly on the district's accounting software.

c. Anticipated Completion Date: Completed.