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MARION COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

Presented by:
Nieman & Associates, PC
D. Scott Nieman, CPA
Post Office Box 1411
113 North Broadway Avenue
McComb, MS 39649-1411

MARION COUNTY SCHOOL DISTRICT

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MARION COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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Nieman & Associates, PC

CPA
The CPA Never Underestimate The Value®

CERTIFIED PUBLIC ACCOUNTANT AICPA/MSCPA

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

January 12, 2012

Superintendent and School Board
Marion 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 Marion County School District as of and for the year ended June 30, 2011, which collectively comprise the Marion County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marion 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 Marion County School District, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2012, on our consideration of the Marion 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

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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 Marion 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 Marion 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.

Sincerely,

D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

MARION COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of Marion 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 $2,594,210, which represents a 15% increase from fiscal year 2010. Total net assets for 2010 increased $293,011, including a prior period adjustment of $9,602, which represents a 2% increase from fiscal year 2009.

- General revenues amounted to $17,448,608 and $17,994,947, or 72% and 76% 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 $6,915,180, or 28% of total revenues for 2011, and $5,540,723, or 24% of total revenues for 2010.

- The District had $21,769,578 and $23,252,261 in expenses for fiscal years 2011 and 2010; only $6,915,180 for 2011 and $5,540,723 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $17,448,608 for 2011 and $17,994,947 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $14,378,496 in revenues and $12,606,503 in expenditures for 2011, and $15,006,773 in revenues and $15,836,104 in expenditures in 2010. The General Fund's fund balance increased by $1,798,852 from 2010 to 2011, and increased by $755,617, including a prior period adjustment of $102, from 2009 to 2010.

- Capital assets, net of accumulated depreciation, decreased by $627,158 for 2011 and increased by $405,314 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.

- Long-term debt decreased by $517,610 for 2011 and decreased by $265,248 for 2010. The decrease for 2011 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by $78,668 for 2011 and increased by $69,437 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 non-fiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach 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 two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

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 $19,874,272 as of June 30, 2011.

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

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

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	$ 5,557,902	$ 3,315,720	67.62 %
Restricted assets	7,059,212	6,632,939	6.43 %
Capital assets, net	15,092,069	15,719,227	(3.99) %
Total assets	**27,709,183**	**25,667,886**	**7.95 %**
Current liabilities	286,815	322,118	(10.96) %
Long-term debt outstanding	7,548,096	8,065,706	(6.42) %
Total liabilities	**7,834,911**	**8,387,824**	**(6.59) %**
Net assets:			
Invested in capital assets, net of related debt	8,184,318	8,107,718	0.94 %
Restricted	10,914,430	10,009,524	9.04 %
Unrestricted	775,524	(837,180)	192.64 %
Total net assets	**$ 19,874,272**	**$ 17,280,062**	**15.01 %**

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 $627,158.
- The principal retirement of $764,108 of long-term debt.
- Proceeds from the issuance of a shortfall note in the amount of $325,166.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were $24,363,788 and $23,535,670, respectively. The total cost of all programs and services was $21,769,578 for 2011 and $23,252,261 for 2010.

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

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 794,665	$ 799,811	(0.64) %
Operating grants and contributions	6,120,515	4,740,912	29.10 %
General revenues:			
Property taxes	3,468,217	3,394,327	2.18 %
Grants and contributions not restricted	12,563,620	12,736,409	(1.36) %
Investment earnings	128,318	567,688	(77.40) %
Sixteenth section sources	955,425	823,642	16.00 %
Other	333,028	472,881	(29.57) %
Total revenues	24,363,788	23,535,670	3.52 %
Expenses:			
Instruction	11,696,025	13,159,859	(11.12) %
Support services	7,819,124	7,808,867	0.13 %
Non-instructional	1,466,907	1,560,445	(5.99) %
Sixteenth section	402,819	305,503	31.85 %
Interest on long-term liabilities	384,703	417,587	(7.87) %
Total expenses	21,769,578	23,252,261	(6.38) %
Increase (Decrease) in net assets	2,594,210	283,409	815.36 %
Net Assets, July 1, as originally reported	17,280,062	16,987,051	1.72 %
Prior Period Adjustment	-	9,602	(100.00) %
Net Assets, July 1, as restated	17,280,062	16,996,653	1.67 %
Net Assets, June 30	$ 19,874,272	$ 17,280,062	15.01 %

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 liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2011	2010	Change
Instruction	$ 11,696,025	$ 13,159,859	(11.12) %
Support services	7,819,124	7,808,867	0.13 %
Non-instructional	1,466,907	1,560,445	(5.99) %
Sixteenth section	402,819	305,503	31.85 %
Interest on long-term liabilities	384,703	417,587	(7.87) %
Total expenses	**$ 21,769,578**	**$ 23,252,261**	**(6.38) %**

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	$ (8,333,621)	$ (10,520,699)	(20.79) %
Support services	(5,956,207)	(6,573,853)	(9.40) %
Non-instructional	147,587	72,004	104.97 %
Sixteenth section	(327,454)	(271,403)	20.65 %
Interest on long-term liabilities	(384,703)	(417,587)	(7.87) %
Total net (expense) revenue	**$ (14,854,398)**	**$ (17,711,538)**	**(16.13) %**

- Net cost of governmental activities ($14,854,398 for 2011 and $17,711,538 for 2010) was financed by general revenue, which is primarily made up of property taxes ($3,468,217 for 2011 and $3,394,327 for 2010) and state and federal revenues ($12,563,620 for 2011 and $12,736,409 for 2010). In addition, there was $955,425 and $823,642 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $128,318 for 2011 and $567,688 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 $12,506,045, an increase of $2,691,234, which includes an increase in reserve for inventory of $5,353. $1,326,575, or 11%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $11,179,470, or 89%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $1,798,852, which is due primarily to the District's conservative approach to budgeting and spending during the fiscal year. The fund balance of Other Governmental Funds showed an increase in the amount of $145,266, which includes an increase in reserve for inventory of $5,353. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
16th Section Interest Fund	$	533,695
16th Section Principal Fund	$	213,421

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. Significant budget revisions during the fiscal year are explained as follows:

- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately $714,000 in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the actual federal revenue received and expenditures reported in the Budget Stabilization Fund.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the actual federal revenue received and expenditures incurred in the Budget Stabilization Fund.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funding were revised during the fiscal year to more accurately reflect actual revenue received and expenditures incurred during the fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were $25,277,770, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of $117,318 from 2010, which is due primarily to the completed construction of the alternative school building during the fiscal year. Total accumulated depreciation as of June 30, 2011, was $10,185,701, and total depreciation expense for the year was $831,518, resulting in total net capital assets of $15,092,069.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 179,394	$ 179,394	0.00 %
Construction in Progress	50,655	61,587	(17.75) %
Buildings	9,225,775	9,282,119	(0.61) %
Building improvements	701,425	735,160	(4.59) %
Improvements other than buildings	372,266	383,397	(2.90) %
Mobile equipment	1,258,403	1,496,799	(15.93) %
Furniture and equipment	568,552	693,194	(17.98) %
Leased property under capital leases	2,735,599	2,887,577	(5.26) %
Total	$ 15,092,069	$ 15,719,227	(3.99) %

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

Debt Administration. At June 30, 2011, the District had $7,548,096 in outstanding long-term debt, of which $915,913 is due within one year. During the fiscal year, the District made principal payments in the amount of $764,108 on existing long-term debt. The District also received proceeds from the issuance of a shortfall note in the amount of $325,166. The liability for compensated absences decreased $78,668 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
Limited obligation refunding bonds payable	$ 2,940,000	$ 3,255,000	(9.68) %
Certificates of participation payable	530,000	590,000	(10.17) %
Three mill notes payable	855,000	947,000	(9.71) %
Shortfall notes payable	454,155	189,339	139.86 %
Obligations under energy efficiency leases	2,582,751	2,819,509	(8.40) %
Compensated absences payable	186,190	264,858	(29.70) %
Total	$ 7,548,096	$ 8,065,706	(6.42) %

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

CURRENT ISSUES

The Marion 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 Marion County School District, 1010 Highway 13 North, Suite 2, Columbia, MS 39429.

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MARION COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

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Marion County School District
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,069,203
Due from other governments	1,446,573
Inventories	42,126
Restricted assets	7,059,212
Capital assets, non-depreciable:	
Land	179,394
Construction in progress	50,655
Capital assets, net of accumulated depreciation:	
Buildings	9,225,775
Building improvements	701,425
Improvements other than buildings	372,266
Mobile equipment	1,258,403
Furniture and equipment	568,552
Leased property under capital leases	2,735,599
Total Assets	27,709,183
Liabilities	
Accounts payable and accrued liabilities	103,593
Unearned revenue	7,476
Interest payable on long-term liabilities	175,746
Long-term liabilities, due within one year	
Capital related liabilities	737,281
Non-capital related liabilities	178,632
Long-term liabilities, due beyond one year	
Capital related liabilities	6,170,470
Non-capital related liabilities	461,713
Total Liabilities	7,834,911
Net Assets	
Invested in capital assets, net of related debt	8,184,318
Restricted net assets:	
Expendable:	
School - based activities	1,679,476
Debt service	641,305
Forestry improvements	51,969
Unemployment benefits	75,000
Non-expendable:	
Sixteenth section	8,466,680
Unrestricted	775,524
Total Net Assets	$ 19,874,272

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:				
Instruction	$ 11,696,025	$ 364,506	$ 2,997,898	$ (8,333,621)
Support services	7,819,124	74,111	1,788,806	(5,956,207)
Non-instructional	1,466,907	280,683	1,333,811	147,587
Sixteenth section	402,819	75,365	-	(327,454)
Interest on long-term liabilities	384,703	-	-	(384,703)
Total governmental activities	$ 21,769,578	$ 794,665	$ 6,120,515	(14,854,398)

General Revenues:	
Taxes:	
General purpose levies	3,187,674
Debt purpose levies	280,543
Unrestricted grants and contributions:	
State	11,702,829
Federal	860,791
Unrestricted investment earnings	128,318
Sixteenth section sources	955,425
Other	333,028
Total General Revenues	17,448,608
Change in Net Assets	2,594,210
Net Assets - Beginning	17,280,062
Net Assets - Ending	$ 19,874,272

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

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

Exhibit C

	Major Funds				
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,840,247	$ 1,554,623	$ 6,889,259	$ 674,333	$ 10,958,462
Investments	-	-	1,762	168,191	169,953
Due from other governments	545,899	-	-	900,674	1,446,573
Due from other funds	674,458	-	-	-	674,458
Advance to other funds	-	-	1,612,281	-	1,612,281
Inventories	-	-	-	42,126	42,126
Total Assets	$ 3,060,604	$ 1,554,623	$ 8,503,302	$ 1,785,324	$ 14,903,853
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 32,454	$ -	$ 36,622	$ 34,517	$ 103,593
Due to other funds	-	-	-	674,458	674,458
Advances from other funds	1,612,281	-	-	-	1,612,281
Deferred revenue	-	-	-	7,476	7,476
Total Liabilities	1,644,735	-	36,622	716,451	2,397,808
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	42,126	42,126
Permanent fund principal	-	-	6,854,399	-	6,854,399
Advances	-	-	1,612,281	-	1,612,281
Restricted:					
Debt service	-	-	-	817,051	817,051
Forestry improvement purposes	-	-	-	51,969	51,969
Unemployment benefits	-	-	-	75,000	75,000
Other commitments	-	1,554,623	-	82,727	1,637,350
Assigned:					
Other purposes	89,294	-	-	-	89,294
Unassigned	1,326,575	-	-	-	1,326,575
Total Fund Balances	1,415,869	1,554,623	8,466,680	1,068,873	12,506,045
Total Liabilities and Fund Balances	$ 3,060,604	$ 1,554,623	$ 8,503,302	$ 1,785,324	$ 14,903,853

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

Marion County School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

		Amount
Total fund balance - governmental funds		$ 12,506,045
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 179,394	
Construction in progress	50,655	
Buildings	14,356,782	
Building improvements	843,370	
Improvements other than buildings	873,290	
Mobile equipment	3,459,154	
Furniture and equipment	1,715,681	
Leased property under capital leases	3,799,444	
Accumulated depreciation	(10,185,701)	15,092,069
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds	(2,940,000)	
Notes payable	(1,309,155)	
Certificates of participation	(530,000)	
Energy efficiency lease obligations	(2,582,751)	
Compensated absences	(186,190)	
Accrued interest payable	(175,746)	(7,723,842)
Total Net Assets - Governmental Activities		$ 19,874,272

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

Marion County School District

Exhibit D

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2011

	Major Funds				
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 3,324,678	$ 5,085	$ 101,869	$ 1,142,425	$ 4,574,057
State sources	10,901,828	-	-	1,542,072	12,443,900
Federal sources	151,990	-	-	6,088,665	6,240,655
Sixteenth section sources	-	568,005	387,695	75,365	1,031,065
Total revenues	14,378,496	573,090	489,564	8,848,527	24,289,677
Expenditures:					
Instruction	6,785,983	-	-	4,626,640	11,412,623
Support services	5,181,704	-	-	2,197,050	7,378,754
Non-instructional services	-	-	-	1,455,949	1,455,949
Sixteenth section	-	141,111	174,745	86,963	402,819
Facilities acquisition and construction	181,978	-	-	-	181,978
Debt Service:					
Principal	236,758	-	-	527,350	764,108
Interest	220,080	-	-	176,147	396,227
Other	-	-	-	1,000	1,000
Total expenditures	12,606,503	141,111	174,745	9,071,099	21,993,458
Excess (deficiency) of revenues over expenditures	1,771,993	431,979	314,819	(222,572)	2,296,219
Other Financing Sources (Uses):					
Bonds and notes issued	325,166	-	-	-	325,166
Insurance loss recoveries	74,111	-	-	-	74,111
Operating Transfers in	93,936	242,797	122,090	704,588	1,163,411
Operating Transfers out	(456,739)	(141,081)	(223,488)	(342,103)	(1,163,411)
Other financing uses	(9,615)	-	-	-	(9,615)
Total Other Financing Sources (uses)	26,859	101,716	(101,398)	362,485	389,662
Net Change in Fund Balances	1,798,852	533,695	213,421	139,913	2,685,881
Fund balances:					
July 1, 2010	(382,983)	1,020,928	8,253,259	923,607	9,814,811
Decrease in reserve for inventory	-	-	-	5,353	5,353
June 30, 2011	$ 1,415,869	$ 1,554,623	$ 8,466,680	$ 1,068,873	$ 12,506,045

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

Marion 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

		Amount
Net Change in fund balances - governmental funds		$ 2,685,881
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	205,239	
Depreciation expense	(831,518)	(626,279)
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.		(879)
3. The isssuance 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	(325,166)	
Payments of debt principal	764,108	
Accrued interest payable	12,524	451,466
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	78,668	
Change in inventory reserve	5,353	84,021
Change in Net Assets of Governmental Activities		$ 2,594,210

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

Marion County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	$ 939,049
Total Assets	939,049
Liabilities	
Accounts payable and accrued liabilities	$ 862,752
Due to student clubs	76,297
Total Liabilities	$ 939,049

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

(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

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board.

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 was elected by the citizens of each defined county district.

For financial reporting purposes, Marion 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.

Blended component unit.

The Marion County School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five-member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 12).

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements:

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

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

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

16th 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.

16th Section Interest Fund – This is a Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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 program.

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* issued in 2005 by the Government Financial 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 or equity

1. Cash and Cash equivalents and Investments.

   Cash and cash equivalents.

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

Investments.

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

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

Investments for the district, as well as its component units, are reported at fair market value.

2. Receivables and Payables.

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

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 account.

6. Capital Assets.

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities

columns in the governmental-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

8. Long-term liabilities.

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

The government 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. 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 policy adopted by the school district.

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

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

(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 are imposed by statutes as follows:

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

Investments. Section 29-3-113 and 35-59-43, 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) certificated of deposits and interest bearing accounts with qualified state depositories; (b) direct "United States Treasury obligations; (c) United State 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 interest in, the open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts 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 $10,958,462 and $939,049, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents $4,069,203, and restricted assets $7,059,212. The restricted assets represent the cash balance and investment balance of the Sixteenth Section Principal Fund (Permanent Fund) of $6,889,259 and $1,762, respectively, and the investment balance of $168,191 of the MAEP Retirement Fund which are legally restricted and may not be used for purposes that support the district's programs. The bank balance was $13,043,958.

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

Investments.

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

Investment Type	Maturities (in years)	Fair Value	Rating
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	Less than 1 year	$ 168,191	AAAm
Governmental National Mortgage Association	More than 10 years	1,762	Not Rated
Total Investments		$ 169,953	

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 Section 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due To/From:

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	$ 674,458
Total		$ 674,458

During the course of the school year. expenditures are paid in certain funds on a reimbursement basis causing the district to have to borrow from other funds in order to not create a deficit in any particular fund. The above inter-fund loans were made to cover year end expenditures.

B. Advances To/From Other Funds.

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	$ 1,612,281
Total		$ 1,612,281

Sixteenth section principal loans payable.

[Note: The sixteenth section principal loans payable is 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 were reflected on Exhibit D-1.

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

Year Ending June 30	Principal	Interest	Total
2012	$ 189,360	$ 64,491	$ 253,851
2013	196,935	56,917	253,852
2014	157,715	49,039	206,754
2015	164,024	42,731	206,755
2016	170,584	36,170	206,754
2017-2021	548,073	101,180	649,253
2022-2024	185,590	14,129	199,719
Total	$ 1,612,281	$ 364,657	$ 1,976,938

C. Inter-fund Transfers.

Transfer Out	Transfer In	Amount
General fund	Other governmental funds	$ 456,739
Other governmental funds	Other governmental funds	247,849
Other governmental funds	General fund	93,936
Other governmental funds	Sixteenth section interest fund	318
Sixteenth section interest fund	Sixteenth section interest fund	141,081
Sixteenth section principal fund	Sixteenth section interest fund	101,398
Sixteenth section principal fund	Sixteenth section principal fund	122,090
Total Funds		$ 1,163,411

The above transfers were for distribution of MAEP monies to various funds, and the transfer of sixteenth section principal and interest funds.

(4) Restricted Assets

The restricted assets represent the cash and investment balance of the Sixteenth Section Principal Fund (Permanent Fund), totaling $6,889,259 and $1,762, respectively. In addition, the restricted assets include the investment balance of the MAEP funds, totaling $168,191. Both are legally restricted and may not be used for purposes that support the district's programs.

(5) Capital Assets

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

	Balance 07/01/10	Additions	Retirements	Completed Construction	Balance 06/30/11
Non-depreciable capital assets:					
Land	$ 179,394	-	-	-	179,394
Construction in progress	61,587	181,978	-	(192,910)	50,655
Total non-depreciable capital assets	240,981	181,978	-	(192,910)	230,049
Depreciable capital assets:					
Buildings	14,163,872	-	-	192,910	14,356,782
Building improvement	843,370	-	-	-	843,370
Improvements other than buildings	873,290	-	-	-	873,290
Mobile equipment	3,459,154	-	-	-	3,459,154
Furniture and equipment	1,780,341	23,261	(87,921)	-	1,715,681
Leased property under capital leases	3,799,444	-	-	-	3,799,444
Total depreciable capital assets	24,919,471	23,261	(87,921)	192,910	25,047,721
Less accumulated depreciation for:					
Buildings	(4,881,753)	(249,254)	-	-	(5,131,007)
Building improvement	(108,210)	(33,735)	-	-	(141,945)
Improvements other than buildings	(489,893)	(11,131)	-	-	(501,024)
Mobile equipment	(1,962,355)	(238,396)	-	-	(2,200,751)
Furniture and equipment	(1,087,147)	(147,024)	87,042	-	(1,147,129)
Leased property under capital leases	(911,867)	(151,978)	-	-	(1,063,845)
Total accumulated depreciation	(9,441,225)	(831,518)	87,042	-	(10,185,701)
Total depreciable capital assets, net	15,478,246	(808,257)	(879)	192,910	14,862,020
Governmental activities capital assets, net	$ 15,719,227	(626,279)	(879)	-	15,092,069

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 352,116
Support Services	459,158
Non-instructional	20,244
Total depreciation expense	$ 831,518

Commitments under construction contracts at June 30, 2011, are summarized as follows:

	Spent to June 30, 2011	Remaining Commitment
Dressing room WMH Baseball & Softball	$ 50,655	$ 37,598
Total	$ 50,655	$ 37,598

Construction projects included in governmental activities are funded with proceeds from the three mill note.

(6) Long-term liabilities

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

	Balance 07/01/10	Additions	Reductions	Adjustments	Balance 06/30/11	Amounts due within one year
A. Limited obligation bonds payable, refunded Series 2008	$ 3,255,000	$ -	$ 315,000	$ -	$ 2,940,000	$ 326,000
B. Certificates of participation payable	590,000	-	60,000	-	530,000	65,000
C. Three mill notes payable	947,000	-	92,000	-	855,000	95,000
D. Shortfall notes payable, Series 2009	189,339	-	60,350	-	128,989	63,072
E. Shortfall notes payable, Series 2010	-	325,166	-	-	325,166	106,250
F. Obligations under energy efficiency lease	2,819,509	-	236,758	-	2,582,751	251,281
G. Compensated absences payable	264,858	-	78,668	-	186,190	9,310
Total	$ 8,065,706	$ 325,166	$ 842,776	$ -	$ 7,548,096	$ 915,913

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 1998	4.4%-4.6%	03/01/98	02/01/18	$ 5,320,000	$ 2,940,000
		Total		$ 5,320,000	$ 2,940,000

Details of the district's June 30, 2011 limited obligation bonded indebtedness are as follows:

Year Ending June 30	Principal	Interest	Total
2012	$ 326,000	$ 103,766	$ 429,766
2013	337,000	93,030	430,030
2014	348,000	81,924	429,924
2015	359,000	70,450	429,450
2016	372,000	58,608	430,608
2017-2018	1,198,000	100,685	1,298,685
Total	$ 2,940,000	$ 508,463	$ 3,448,463

This debt will be retired from the MAEP Retirement Fund.

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

Prior Year Defeasance of Debt – In prior years, the school district defeased certain State Aid capital improvement bond by placing the proceeds of a new bond in an irrevocable trust to provide for all future debt payment requirements on the state aid capital improvement refunding bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the school district's financial statements. On June 30, 2011, $2,760,000 of bonds outstanding was considered defeased.

B. Certificates of participation payable.

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust certificates	4.93%	06/01/98	06/01/18	$ 2,620,000	$ 530,000
		Total		$ 2,620,000	$ 530,000

Details of the district's June 30, 2011 certificates of participation are as follows:

Year Ending June 30	Principal	Interest	Total
2012	$ 65,000	$ 26,129	$ 91,129
2013	70,000	22,924	92,924
2014	70,000	19,474	89,474
2015	75,000	16,023	91,023
2016	80,000	12,325	92,325
2017-2018	170,000	12,571	182,571
Total	$ 530,000	$ 109,446	$ 639,446

The debt will be retired from the Lease Debt Service Fund.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable	3.67%	7/22/2008	6/15/2020	$ 1,120,000	$ 855,000
		Total		$ 1,120,000	$ 855,000

Details of the district's June 30, 2011 three mill notes payable are as follows:

Three mill notes payable issued on 07/22/2008.

Year Ending June 30	Principal	Interest	Total
2012	$ 95,000	$ 31,378	$ 126,378
2013	99,000	27,892	126,892
2014	68,000	24,259	92,259
2015	70,000	21,763	91,763
2016	73,000	19,194	92,194
2017-2020	450,000	46,866	496,866
Total	$ 855,000	$ 171,352	$ 1,026,352

This debt will be retired from the Three Mill Note Retirement Fund.

D & E. Shortfall notes payable:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
D. Shortfall note payable, Series 2009	4.51%	8/4/2009	8/4/2012	$ 189,339	$ 128,989
E. Shortfall note payable, Series 2010	2.07%	8/23/2010	8/23/2013	325,166	325,166
		Total		$ 514,505	$ 454,155

D. Details of the district's June 30, 2011 Shortfall Note Payable, Series 2009:

Year Ending June 30	Principal	Interest	Total
2012	$ 63,072	$ 5,817	$ 68,889
2013	65,917	2,973	68,890
Total	$ 128,989	$ 8,790	$ 137,779

E. Details of the district's June 30, 2011 Shortfall Notes Payable, Series 2010:

Year Ending June 30	Principal	Interest	Total
2012	$ 106,250	$ 6,731	$ 112,981
2013	108,250	4,532	112,782
2014	110,666	2,291	112,957
Total	$ 325,166	$ 13,554	$ 338,720

F. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	5.26%	7/20/2004	7/20/2019	$ 3,799,444	2,582,751
		Total		$ 3,799,444	2,582,751

Details of the district's June 30, 2011 energy efficiency lease payable are as follows:

Year Ending June 30	Principal	Interest	Total
2012	$ 251,281	$ 135,853	$ 387,134
2013	266,637	122,635	389,272
2014	282,870	108,610	391,480
2015	300,028	93,731	393,759
2016	318,160	77,950	396,110
2017-2019	1,163,775	133,869	1,297,644
Total	$ 2,582,751	$ 672,648	$ 3,255,399

An energy efficiency lease agreement dated July 20, 2004, was executed by and between the district, the lessee, and First Security Bank, the lessor.

The agreement authorized the borrowing of $3,799,444 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments shall be made from the District Maintenance Fund and not to exceed fifteen (15) years.

The district entered in this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

G. 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.

(7) Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. Pitney Bowes
2. 5 copiers

Lease expenditures for the year ended June 30, 2011, amounted to $23,268.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2012	$ 25,968
2013	25,968
2014	20,711
2015	5,640
2016	490
Total	$ 78,777

(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 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 rate for fiscal year ended June 30, 2011, was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established, and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were $1,392,356, $1,517,653 and $1,521,138, respectively, which equaled the required contributions for each year.

(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 there from 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	$ 73,755
2013	55,771
2014	46,331
2015	38,338
2016	31,123
2017-2021	149,728
2022-2026	139,854
2027-2031	122,400
2032-2036	34,996
2037-2041	5,400
2042-2046	3,521
2047-2051	3,521
Total	$ 704,738

(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 various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

(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.

(12) Trust Certificates

A trust agreement dated June 1, 1998, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of $2,620,000 to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et. Seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school

district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

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

(13) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Marion County School District evaluated the activity of the district through January 12, 2012, and determined that the following subsequent event has (have) occurred requiring disclosure in the notes to the financial statements:

On July 11, 2011, the board accepted the $192,564 bid of Hood Industries, Inc. for the sale of timber in Section 16-2-13.

MARION COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

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Marion County School District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 3,617,386	$ 3,563,394	$ 3,324,678	$ (53,992)	$ (238,716)
State sources	11,312,783	10,910,225	10,901,828	(402,558)	(8,397)
Federal sources	200,000	155,800	151,990	(44,200)	(3,810)
Total Revenues	15,130,169	14,629,419	14,378,496	(500,750)	(250,923)
Expenditures:					
Instruction	7,970,335	7,089,777	6,785,983	880,558	303,794
Support services	5,863,481	5,709,682	5,181,704	153,799	527,978
Facilities acquisition and construction	-	181,977	181,978	(181,977)	(1)
Debt service:					
Principal	418,835	418,835	236,758	-	182,077
Interest	220,081	220,081	220,080	-	1
Total Expenditures	14,472,732	13,620,352	12,606,503	852,380	1,013,849
Excess (Deficiency) of Revenues Over Expenditures	657,437	1,009,067	1,771,993	351,630	762,926
Other Financing Sources (Uses):					
Proceeds of Loans	603,743	325,166	325,166	(278,577)	-
Insurance Loss Recoveries	-	74,111	74,111	74,111	-
Indirect Costs	96,008	89,847	-	(6,161)	(89,847)
Other financing uses	-	(9,615)	(9,615)	(9,615)	-
Operating Transfers in	2,396,114	2,406,737	93,936	10,623	(2,312,801)
Operating Transfers out	(3,315,526)	(2,853,948)	(456,739)	461,578	2,397,209
Total Other Financing Sources (Uses)	(219,661)	32,298	26,859	251,959	(5,439)
Net Change in Fund Balances	437,776	1,041,365	1,798,852	603,589	757,487
Fund Balances:					
July 1, 2010			(382,983)		
June 30, 2011			$ 1,415,869		

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

Marion County School District
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local	$ 10	$ -	$ 5,085	$ (10)	$ 5,085
Sixteenth section sources	578,377	586,430	568,005	8,053	(18,425)
Total revenues	578,387	586,430	573,090	8,043	(13,340)
Expenditures:					
Sixteenth section	130,500	176,866	141,111	(46,366)	35,755
Total expenditures	130,500	176,866	141,111	(46,366)	35,755
Excess (deficiency) of revenues over expenditures	447,887	409,564	431,979	(38,323)	22,415
Other Financing Sources (Uses):					
Operating Transfers in	427,730	245,230	242,797	(182,500)	(2,433)
Operating Transfers out	(236,536)	(142,500)	(141,081)	94,036	1,419
Total other financing sources and uses	191,194	102,730	101,716	(88,464)	(1,014)
Net change in fund balances	639,081	512,294	533,695	(126,787)	21,401
Fund balances:					
July 1, 2010			1,020,928		
June 30, 2011			$ 1,554,623		

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

Marion County School District
Budgetary Comparison Schedule
Sixteenth Section Principal Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local	$ -	$ -	$ 101,869	$ -	$ 101,869
Sixteenth section sources	544,274	496,784	387,695	(47,490)	(109,089)
Total revenues	544,274	496,784	489,564	(47,490)	(7,220)
Expenditures:					
Sixteenth section	252,580	178,600	174,745	73,980	3,855
Total expenditures	252,580	178,600	174,745	73,980	3,855
Excess (deficiency) of revenues over expenditures	291,694	318,184	314,819	26,490	(3,365)
Other Financing Sources (Uses):					
Operating Transfers in	99,420	123,000	122,090	23,580	(910)
Operating Transfers out	(290,614)	(225,410)	(223,488)	65,204	1,922
Total other financing sources and uses	(191,194)	(102,410)	(101,398)	88,784	1,012
Net change in fund balances	100,500	215,774	213,421	115,274	(2,353)
Fund balances:					
July 1, 2010			8,253,259		
June 30, 2011			$ 8,466,680		

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

MARION COUNTY SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

(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 15th of each year. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

MARION COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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Marion County School District
Schedule of Expenditure of Federal Awards
For the Year Ending June 30, 2011

Federal Grantor/ Pass-though Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 394,137
National school lunch program	10.555	919,233
Total U. S. Department of Agriculture		1,313,370
Federal Communications Commission		
Administered through the Universal Service Administration Company		
Communications Information and Assistance and Investigation of Complaints	32.001	96,955
Total Federal Communications Commission		96,955
U. S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and Technical education - basic grants to states	84.048	67,770
Safe and drug-free schools and communities - state grants	84.186	3,345
Rural education	84.358	77,518
Improving teacher quality state grants	84.367	303,326
School improvement grants	84.377	133,657
Education jobs fund	84.410	533,605
		1,119,221
Title I, Part A Cluster:		
Title I-grants to local educational agencies	84.010	1,395,498
ARRA Title I - Part A	84.389	186,152
Total		1,581,650
Educational Technology State Grants Cluster		
Education technology state grants	84.318	188,418
ARRA Title II-D-competitive grant	84.386	253,314
Total		441,732
State Fiscal Stabilization Fund Cluster:		
ARRA State Fiscal Stabilization	84.394	714,579
Total		714,579
Special education cluster:		
Special education-grants to states	84.027	258,204
Special education-preschool grants	84.173	12,858
ARRA IDEA, Part B	84.391	570,313
ARRA IDEA, Preschool	84.392	29,860
Total		871,235
Total passed-through Mississippi Department of Education		4,728,417
Total U.S. Department of Education		4,728,417
U. S. Department of Health and Human Services		
Passed-through Mississippi Department of Health and Human Services		
Medical assistance program	93.778	49,257
Total U. S. Department of Health and Human Services		49,257
Total for All Federal Awards		$ 6,187,999

NOTES TO SCHEDULE:

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable used for the financial statements.

The expenditure amounts include transfers out.

The pass-through entities did not assign identifying numbers to the school district.

Marion 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	$ 15,537,288	$ 11,829,079	$ 611,159	$ 1,118,185	$ 1,978,865
Other	6,456,170	2,252,277	124,682	25,545	4,053,666
Total	$ 21,993,458	14,081,356	735,841	1,143,730	6,032,531
Total number of students *	2,307				
Cost per student	$ 9,533	6,104	319	496	2,615

NOTES TO SCHEDULE

1. Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

* Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

MARION COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

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Marion County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
Last Four Years Comparison

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 3,324,678	$ 3,477,374	$ 3,031,083	$ 2,948,144
Immediate sources	-	-	-	9,000
State sources	10,901,828	11,342,057	12,737,455	12,772,097
Federal sources	151,990	187,342	265,597	292,378
Total revenues	14,378,496	15,006,773	16,034,135	16,021,619
Expenditures:				
Instruction	6,785,983	8,463,152	9,617,457	9,213,188
Support services	5,181,704	5,789,743	6,570,367	5,827,467
Facilities acquisition and construction	181,978	1,120,047	51,407	846,944
Debt Service:				
Principal	236,758	223,024	209,983	197,649
Interest	220,080	239,788	258,504	278,717
Other		350	-	-
Total expenditures	12,606,503	15,836,104	16,707,718	16,363,965
Excess (deficiency) of revenues over expenditures	1,771,993	(829,331)	(673,583)	(342,346)
Other Financing Sources (Uses):				
Proceeds of loans	325,166	189,339	-	-
Insurance loss recoveries	74,111	-	5,992	6,313
Sale of transportation equipment	-	-	-	19,514
Sale of other property	-	-	-	1,247
Operating transfers in	93,936	2,350,441	1,968,070	1,222,184
Operating transfers out	(456,739)	(954,934)	(1,112,133)	(1,081,300)
Other financing sources	(9,615)	-	-	-
Total Other Financing Sources (uses)	26,859	1,584,846	861,929	167,958
Net Change in Fund Balances	1,798,852	755,515	188,346	(174,388)
Fund balances:				
Beginning Balance, as originally reported	(382,983)	(1,138,600)	(1,315,742)	(1,141,354)
Prior period adj. & reclassifications	-	102	(11,204)	-
Beginning Balance, as restated	(382,983)	(1,138,498)	(1,326,946)	(1,141,354)
Ending balance	$ 1,415,869	$ (382,983)	$ (1,138,600)	$ (1,315,742)

*SOURCE - PRIOR YEAR AUDIT REPORTS

Marion County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Funds
Last Four Years Comparison

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 4,574,057	$ 5,198,332	$ 4,673,136	$ 4,500,458
Intermediate sources	-	-	-	9,000
State sources	12,443,900	12,516,835	14,305,585	13,882,023
Federal sources	6,240,655	4,961,158	3,669,909	3,546,454
Sixteenth section sources	1,031,065	859,345	1,759,944	1,335,824
Total revenues	24,289,677	23,535,670	24,408,574	23,273,759
Expenditures:				
Instruction	11,412,623	12,781,595	13,039,716	12,028,101
Support services	7,378,754	7,417,177	8,045,770	7,268,039
Non-instructional services	1,455,949	1,538,463	1,645,811	1,534,540
Sixteenth section	402,819	305,503	1,010,234	857,751
Facilities acquisition and construction	181,978	1,120,047	51,407	846,944
Debt Service:				
Principal	764,108	524,024	884,498	725,805
Interest	396,227	421,423	486,806	500,069
Other	1,000	1,350	275	720
Total expenditures	21,993,458	24,109,582	25,164,517	23,761,969
Excess (deficiency) of revenues over expenditures	2,296,219	(573,912)	(755,943)	(488,210)
Other Financing Sources (Uses):				
Proceeds of loans	325,166	189,339	1,120,000	-
Proceeds of refunding bonds	-	-	3,408,000	-
Insurance loss recoveries	74,111	-	5,992	6,313
Sale of transportation equipment	-	-	-	19,514
Sale of other property	-	-	-	1,247
Operating transfers in	1,163,411	3,906,488	4,042,736	3,164,511
Operating transfers out	(1,163,411)	(3,906,488)	(4,042,736)	(3,164,511)
Payment to refunded bond escrow agent	-	-	(3,300,000)	-
Other financing sources	(9,615)	-	-	-
Total Other Financing Sources (uses)	389,662	189,339	1,233,992	27,074
	2,685,881	(384,573)	478,049	(461,136)
Fund balances:				
Beginning Balance, as originally reported	9,814,811	10,197,548	9,728,817	10,204,343
Prior period adj. & reclassifications	-	102	(11,204)	-
Beginning Balance, as restated	9,814,811	10,197,650	9,717,613	10,204,343
Increase (decrease) in reserve for inventory	5,353	1,734	1,886	(14,390)
Ending Balance	$ 12,506,045	$ 9,814,811	$ 10,197,548	9,728,817

*SOURCE - PRIOR YEAR AUDIT REPORTS

MARION COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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CERTIFIED PUBLIC ACCOUNTANT AICPA/MSCPA

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

January 12, 2012

Superintendent and School Board
Marion County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Marion County School District as of and for the year ended June 30, 2011, which collectively comprise Marion County School District's basic financial statements and have issued our report thereon dated January 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

D. Scott Nieman, CPA
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601-684-4819 Phone 601-684-4818 Fax email dsncpa@bellsouth.net

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*.

However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated January 12, 2012, which is included in this report.

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

Sincerely,

D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

Nieman & Associates, PC

CPA
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CERTIFIED PUBLIC ACCOUNTANT AICPA/MSCPA

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

January 12, 2012

Superintendent and School Board
Marion County School District

Compliance

We have audited the compliance of the Marion County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Marion County School District's major federal programs for the year ended June 30, 2011. The 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, Marion County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Marion 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 the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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

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

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

Sincerely,

D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

MARION COUNTY SCHOOL DISTRICT

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

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CERTIFIED PUBLIC ACCOUNTANT AICPA/MSCPA

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

January 12, 2012

Superintendent and School Board
Marion County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Marion County School District as of and for the year ended June 30, 2011, which collectively comprise Marion County School District's basic financial statements and have issued our report thereon dated January 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by 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 $5,245 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 requirement of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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1. Finding

Section 29-3-57, Miss. Code Ann. (1972), states, "The superintendent of education shall keep a current docket as to expiration dates of all leases of sixteenth section land..... Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present and the board shall inaugurate the proper legal proceedings to terminate such leases."

As reported in the prior years' audit report and during our review of sixteenth section leases, we noted untimely lease payments as outlined below:

1. Two instances of lease payments being made sixty days past the due date.

2. Four instances of lease payments not for the amount owed (partial payments).

3. Two instances of the lessee not making the lease payment.

Inadequate enforcement of the laws concerning sixteenth section leases resulted in this noncompliance.

Noncompliance with Section 29-3-57, Miss. Code Ann. (1972), could result in the district not receiving rental income for the use of sixteenth section lands and forfeiture of any interest that the district could have earned.

Recommendation

We recommend that the district strengthen its control of sixteenth section leases and comply with Section 29-3-57, Miss. Code Ann. (1972).

Response

The District will strengthen its controls of sixteenth section leases and comply with Section 29-3-57, MS Code Ann. (1972). As a result of continuous audit findings in this area, the District will be changing the personnel that handles sixteenth section leases effective July 1, 2011.

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

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

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

Sincerely,

D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

MARION COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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MARION 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	Material noncompliance relating to the financial statements?	No
3	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified that are not considered to be material weaknesses?	None reported

Federal Awards:

4	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Significant deficiency identified that is not considered to be material weakness?	None reported
6	Any audit finding reported as required by Section ___.510(a) of Circular A-133?	No
7	Federal programs identified as major programs:	

a. Child Nutrition Cluster:	
School breakfast program	CFDA #10.553
National school lunch program	CFDA #10.555
b. Improving teacher quality state grants	CFDA #84.367
c. Education jobs fund	CFDA #84.410
d. Educational Technology State Grants Cluster:	
Education technology state grants	CFDA #84.318
ARRA Title II-D-competitive grant	CFDA #84.386
e. State Fiscal Stabilization Fund Cluster:	
ARRA State Fiscal Stabilization	CFDA #84.394
f. Special Education Cluster:	
Special education-grants to states	CFDA #84.027
Special education-preschool grants	CFDA #84.173
ARRA IDEA, Part B	CFDA #84.391
ARRA IDEA, Preschool	CFDA #84.392

8	The dollar threshold used to distinguish between type A and type B programs:	$ 300,000
9	Auditee qualified as 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:

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

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.