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**MOUND BAYOU PUBLIC SCHOOL DISTRICT**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2011**

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

**Financial Audit Report**

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DAVID I. BRIDGERS, JR., CPA

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

**MEMBERS OF  
MISSISSIPPI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S**

Superintendent and School Board  
Mound Bayou Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2011, which collectively comprise the Mound Bayou Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mound Bayou Public 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 Mound Bayou Public 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 March 13, 2012, on our consideration of the Mound Bayou Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mound Bayou Public 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 Mound Bayou Public 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.

*Bridgers & Company, P.C.*  
Bridgers & Company, P.C.  
Vicksburg, Mississippi  
March 13, 2012

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of the Mound Bayou Public 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 by \$427,330, including a prior period adjustment of \$9,883, which represents a 13% increase from fiscal year 2010. Total net assets for 2010 increased \$29,835, including prior period adjustments of \$13,606, which represents a 1% increase from fiscal year 2009.

General revenues amounted to \$3,563,170 and \$3,953,316, or 58% and 64% of all revenues for the fiscal years 2011 and 2010 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,550,267, or 42% of total revenues for 2011, and \$2,193,142, or 36% of total revenues for 2010.

The District had \$5,695,990 and \$6,130,229 in expenses for fiscal years 2011 and 2010; only \$2,550,267 for 2011 and \$2,193,142 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,563,170 for 2011 and \$3,953,316 for 2010 were adequate to provide for these programs.

Among major funds, the General Fund had \$3,371,384 in revenues and \$3,107,144 in expenditures for 2011, and \$3,391,045 in revenues and \$3,710,332 in expenditures for 2010. The General Fund's fund balance increased by \$264,240 from 2010 to 2011, net of a prior period adjustment of \$(10,687) and decreased by \$307,376, from 2009 to 2010, net of a prior period adjustment of \$(3,893).

Capital assets, net of accumulated depreciation, decreased by \$9,851 for 2011 and increased by \$178,908 for 2010. The decrease for 2011 was due primarily to the fact that current year depreciation exceeded current year additions.

Long-term debt decreased by \$855,000 for 2011 and did not change for 2010. The decrease for 2011 was primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,088 for 2011 and decreased by \$11,799 for 2010.

**OVERVIEW OF 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 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.

MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the District's net assets may serve as a useful indicator on 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 years.

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 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 government activities in the government-wide financial statements. By doing so, readers may better understand 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 Balance 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 the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

**MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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 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.

MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of government's financial position. Assets exceeded liabilities by \$3,730,190 as of June 30, 2011.

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

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

Table 1  
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 2,465,411	2,912,758	-15.36%
Restricted assets		883	-100.00%
Capital assets, net	1,422,637	1,432,488	-0.69%
<b>Total assets</b>	<b>3,888,048</b>	<b>4,346,129</b>	<b>-10.54%</b>
Current liabilities	121,613	153,112	-20.57%
Long-term debt outstanding	36,245	890,157	-95.93%
<b>Total liabilities</b>	<b>157,858</b>	<b>1,043,269</b>	<b>-84.87%</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	1,422,637	1,432,488	-0.69%
Restricted	779,211	1,460,182	-46.64%
Unrestricted	1,528,342	410,190	272.59%
<b>Total net assets</b>	<b>\$ 3,730,190</b>	<b>3,302,860</b>	<b>12.94%</b>

The following is a significant current year transaction that had an impact on the Statement of Net Assets.

Capital assets increased by \$118,479 due to the addition of buses and furniture and equipment.

Long-term debt decreased by \$853,912 due to the increase in the liability for compensated absences and the retirement of QZAB bonds payable.

Change in net assets

The District's total revenues for the fiscal year ended June 30, 2011 and June 30, 2010, were \$6,113,437 and \$6,146,458, respectively. The total cost of all programs and services was \$5,695,990 for 2011 and \$6,130,229 for 2010.

**MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Table 2  
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 197,350	196,755	0.30%
Operating grants and contributions	2,352,917	1,996,387	17.86%
<b>General revenues:</b>			
Property taxes	486,274	476,708	2.01%
Grants and contributions not restricted	2,818,705	3,274,459	-13.92%
investment earnings	31,383	47,499	-33.93%
Sixteenth section sources	72,155	9,241	680.81%
Other	154,653	145,409	6.36%
<b>Total revenues</b>	<u><b>6,113,437</b></u>	<u><b>6,146,458</b></u>	<b>-0.54%</b>
<b>Expenses:</b>			
Instruction	3,257,599	3,543,656	-8.07%
Support services	2,132,666	2,141,602	-0.42%
Non-instructional	305,725	444,971	-31.29%
<b>Total expenses</b>	<u><b>5,695,990</b></u>	<u><b>6,130,229</b></u>	<b>-7.08%</b>
<b>Increase in net assets</b>	<u><b>417,447</b></u>	<u><b>16,229</b></u>	<b>2472.23%</b>
<b>Net Assets July 1, as originally reported</b>	<u><b>3,302,860</b></u>	<u><b>3,273,025</b></u>	<b>0.91%</b>
<b>Prior Period Adjustment</b>	<u><b>9,883</b></u>	<u><b>13,606</b></u>	
<b>Net Assets Restated, July 1</b>	<u><b>3,312,743</b></u>	<u><b>3,286,631</b></u>	<b>0.79%</b>
<b>Net Assets, June 30</b>	<u><u><b>\$ 3,730,190</b></u></u>	<u><u><b>3,302,860</b></u></u>	<b>12.94%</b>

**Governmental activities**

The following table presents the cost of major District function activities: instruction, support services, and non-instructional services. 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 these functions.

MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Table 3  
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2011	2010	
Instruction	\$ 3,257,599	3,543,656	-8.07%
Support services	2,132,666	2,141,602	-0.42%
Non-instructional	305,725	444,971	-31.29%
Total expenses	<u>\$ 5,695,990</u>	<u>\$6,130,229</u>	-7.08%
	<u>Net (Expense) Revenue</u>		
	2011	2010	Change
Instruction	\$ (1,721,620)	(2,736,023)	-37.08%
Support services	(1,680,315)	(1,482,794)	13.32%
Non-instructional	256,212	281,730	-9.06%
Total net (expense) revenue	<u>\$ (3,145,723)</u>	<u>(3,937,087)</u>	-20.10%

The net cost of governmental activities, ( \$3,145,723 for 2011 and \$3,937,087 for 2010), was financed by, general revenue, which is made up of primarily property taxes of (\$486,274 for 2011 and \$476,708 for 2010) and state and federal revenues of ( \$2,818,705 for 2011 and \$3,274,459 for 2010). In addition, there was \$72,155 and \$9,241, in Sixteenth Section sources for 2011 and 2010, respectively.

Investment earnings amounted to \$31,383 for 2011 and \$47,499 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 \$2,343,798, a decrease of \$416,731, which includes a prior period adjustment of \$9,883 and an increase in reserve for inventory of \$651. \$1,564,587, or 67%, 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 \$779,211, or 33%, 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.

**MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$264,240, which included a prior period adjustment of \$(10,867). The fund balance of Other Governmental Funds showed a decrease in the amount of \$771,194, which includes a prior period adjustment of \$19,402. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	\$ (2,054)
Food Service Fund	\$ 18,302
Sixteenth Section Interest Fund	\$ 73,975

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and to correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

- Budgeted amounts for revenue from local, state and federal sources in the General Fund were increased during the fiscal year. Amounts originally budgeted were understated.
- Budgeted amounts for instruction and support service expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for revenues and expenditures in the Title I and Food Service funds were revised during the year to reflect actual revenue received and expenditures incurred during the year.
- Budgeted amounts for revenues in the Sixteenth Section Fund were increased to more accurately reflect revenues generated during the fiscal year.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funds were revised during the fiscal year to 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 supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$3,497,823, including, land, school buildings, building improvements, other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$118,479 from 2010. Total accumulated depreciation as of June 30, 2011 was \$2,075,186, and total depreciation expense for the year was \$128,330, resulting in total net capital assets of \$1,422,637.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Buildings	\$ 352,086	358,294	-1.73%
Building improvements	527,968	552,950	-4.52%
Improvements other than buildings	36,164	38,425	-5.88%
Mobile equipment	445,269	411,512	8.20%
Furniture and equipment	61,150	71,307	-14.24%
Total	<u>\$ 1,422,637</u>	<u>1,432,488</u>	-0.69%

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

**MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Debt Administration. At June 30, 2011, the District had \$36,245 in outstanding long-term debt of which \$0 is due within one year. During the fiscal year, the District made principal payments in the amount of \$855,000 on existing long-term debt. The liability for compensated absences increased \$1,088 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
QZAB Bonds payable	\$	855,000	-100.00%
Compensated absences payable	<u>36,245</u>	<u>35,157</u>	3.09%
<b>Total</b>	<u><u>\$ 36,245</u></u>	<u><u>890,157</u></u>	-95.93%

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

**CURRENT ISSUES**

The Mound Bayou Public 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 questions about this report, contact the Superintendent's Office of the Mound Bayou Public School District, 301 E Martin L. King, Suite A, Mound Bayou, MS 38762.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

## Mound Bayou Public School District

## Statement of Net Assets

June 30, 2011

Exhibit A

Assets	Governmental Activities
Cash and cash equivalents	\$ 2,202,872
Due from other governments	204,910
Lease receivables	48,830
Inventories	8,799
Capital assets, net of accumulated depreciation:	
Buildings	352,086
Building improvements	527,968
Improvements other than buildings	36,164
Mobile equipment	445,269
Furniture and equipment	61,150
Total Assets	<u>3,888,048</u>
Liabilities	
Accounts payable and accrued liabilities	117,661
Unearned revenue	3,860
Other payables	92
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	36,245
Total Liabilities	<u>157,858</u>
Net Assets	
Invested in capital assets, net of related debt	1,422,637
Restricted for:	
Expendable:	
School based activities	522,965
Debt service	155,092
Capital projects	73,687
Unemployment benefits	27,467
Unrestricted	1,528,342
Total Net Assets	<u>\$ 3,730,190</u>

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

Mound Bayou Public School District  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
					Total
Governmental Activities:					
Instruction	\$ 3,257,599	42,406	1,493,573		(1,721,620)
Support services	2,132,666		452,351		(1,680,315)
Noninstructional services	305,725	154,944	406,993		256,212
Total governmental activities	\$ 5,695,990	197,350	2,352,917		(3,145,723)

General Revenues:

Taxes:

Property taxes - general purposes levies	\$ 468,145
Debt purpose levies	18,129

Unrestricted grants and contributions:

State	2,774,288
Federal	44,417
Unrestricted investment earnings	31,383
Sixteenth section sources	72,155
Other	154,653

Total General Revenues 3,563,170

Change in Net Assets 417,447

Net Assets - Beginning as originally reported 3,302,860  
Prior Period Adjustments 9,883

Net Assets - Beginning - Restated 3,312,743

Net Assets - Ending \$ 3,730,190

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

Mound Bayou Public School District  
 Balance Sheet - Governmental Funds  
 June 30, 2011

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Food Service Fund	Title I Fund	16th Section Interest Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,404,960	94,729		376,122	327,061	2,202,872
Due from other governments	40,880		97,172		65,888	203,940
Lease receivable				48,830		48,830
Due from other funds	154,470					154,470
Advances to other funds	58,081				40	58,121
Inventories		8,799				8,799
<b>Total Assets</b>	<b>1,658,391</b>	<b>103,528</b>	<b>97,172</b>	<b>424,952</b>	<b>392,989</b>	<b>2,677,032</b>
<b>LIABILITIES &amp; FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	93,051	304	3,579		19,974	116,908
Due to other funds		5,228	93,593		55,649	154,470
Advances from other funds	753	57,151				57,904
Other payables		32			60	92
Unearned revenues					3,860	3,860
<b>Total Liabilities</b>	<b>93,804</b>	<b>62,715</b>	<b>97,172</b>	<b>0</b>	<b>79,543</b>	<b>333,234</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory		8,799				8,799
<b>Restricted:</b>						
Debt service					155,092	155,092
Capital projects					73,687	73,687
Unemployment benefits					27,467	27,467
<b>Committed:</b>						
Other commitments - program operations		32,014		424,952	57,200	514,166
<b>Unassigned</b>	<b>1,564,587</b>					<b>1,564,587</b>
<b>Total Fund Balances</b>	<b>1,564,587</b>	<b>40,813</b>	<b>0</b>	<b>424,952</b>	<b>313,446</b>	<b>2,343,798</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,658,391</b>	<b>103,528</b>	<b>97,172</b>	<b>424,952</b>	<b>392,989</b>	<b>2,677,032</b>

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

Mound Bayou Public School District  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Assets  
 June 30, 2011

Exhibit C-1

	<u>Amount</u>
Total fund balances - governmental funds	\$ 2,343,798
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:	
Buildings	\$ 1,563,657
Building improvements	606,661
Improvements other than buildings	56,513
Mobile equipment	980,619
Furniture and equipment	290,373
Accumulated depreciation	<u>(2,075,186)</u>
	1,422,637
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore not reported in the funds:	
Compensated absences	(36,245)
Net Assets of Governmental Activities	<u>\$ 3,730,190</u>

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

Mound Bayou Public School District  
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
 For the Year Ended June 30, 2011

Exhibit D

	Major Funds				Other Govern- mental Funds	Total Governmental Funds
	General Fund	Food Service Fund	Title I Fund	16th Section Interest Fund		
<b>REVENUES</b>						
Local sources	\$ 659,053	18,571		937	191,086	869,647
State sources	2,667,914	4,009			205,119	2,877,042
Federal sources	44,417	373,356	643,462		1,733,345	2,294,580
Sixteenth section sources				72,155		72,155
Total Revenues	<u>3,371,384</u>	<u>395,936</u>	<u>643,462</u>	<u>73,092</u>	<u>1,629,550</u>	<u>6,113,424</u>
<b>EXPENDITURES</b>						
Instruction	1,629,895		338,409		1,239,768	3,208,072
Support services	1,477,249	54,897	236,843		291,540	2,060,529
Noninstructional services		318,160	55,251		43,690	417,101
Debt Service.						
Principal					855,000	855,000
Total Expenditures	<u>3,107,144</u>	<u>373,057</u>	<u>630,503</u>	<u>0</u>	<u>2,429,998</u>	<u>6,540,702</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>264,240</u>	<u>22,879</u>	<u>12,959</u>	<u>73,092</u>	<u>(800,448)</u>	<u>(427,278)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	29,839				18,985	48,824
Transfers out	(18,985)	(5,228)	(15,478)		(9,133)	(48,824)
Other sources	13					13
Total Other Financing Sources (Uses)	<u>10,867</u>	<u>(5,228)</u>	<u>(15,478)</u>	<u>0</u>	<u>9,852</u>	<u>13</u>
Net Change in Fund Balances	<u>275,107</u>	<u>17,651</u>	<u>(2,519)</u>	<u>73,092</u>	<u>(790,596)</u>	<u>(427,265)</u>
<b>Fund Balances.</b>						
July 1, 2010, as originally reported	1,300,347	22,511	2,054	350,977	1,084,640	2,760,529
Prior period adjustments	(10,867)		465	883	19,402	9,883
July 1, 2010, as restated	<u>1,289,480</u>	<u>22,511</u>	<u>2,519</u>	<u>351,860</u>	<u>1,104,042</u>	<u>2,770,412</u>
Increase (decrease) in reserve for inventory		651				651
June 30, 2011	<u>\$ 1,564,587</u>	<u>40,813</u>	<u>0</u>	<u>424,952</u>	<u>313,446</u>	<u>2,343,798</u>

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

Mound Bayou Public School District  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2011

Exhibit D-1

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ (427,265)

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

1. Government funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 118,479	
Depreciation expense	<u>(128,330)</u>	(9,851)

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 assets sold.

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities:

Payments of debt principal	855,000
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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 on compensated absences	(1,088)	
Change in inventory reserve	<u>651</u>	(437)

Change in net assets of governmental activities	<u>\$ 417,447</u>
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The notes to the financial statements are an integral part of this statement.

Mound Bayou Public School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 211,874
Due from other funds	753
	<hr/>
Total Assets	<u><u>212,627</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	211,657
Due to other funds	970
	<hr/>
Total Liabilities	<u><u>\$ 212,627</u></u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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Mound Bayou Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

(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 clear fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government". The school district is governed by a 5 member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, the Mound Bayou Public 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 Standard's Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

C. Government-wide and Fund Financial Statements

Government - Wide Financial Statements :

The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the district. For the most part, the effect of interfund 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.

**Mound Bayou Public School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

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 is 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 as 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.

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

**Food Service Fund** - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the school food services.

**Mound Bayou Public School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**16th Section Interest Fund** - This fund is a special revenue fund used to account for the expendable revenues associated with earnings on sixteenth section lands and the expenditures incurred for maintaining and improving sixteenth section lands.

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

The fiduciary funds also include (8) agency funds which are used to report resources held by the district in a purely custodial capacity.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds - 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.

Capital Project Funds - Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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 principle and interest.

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

**FIDUCIARY FUNDS**

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

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

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

**Mound Bayou Public School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

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 the 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 interfund 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.

**Mound Bayou Public School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

**E. Encumbrances**

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

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

**1. Cash and Cash equivalents.**

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.

**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 interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**3. Due from Other Governments.**

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

**4. Inventories and prepaid items.**

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

Mound Bayou Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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

5. Restricted Assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund and the QSCB bond payable sinking fund are classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets.

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

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

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds:

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

Mound Bayou Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 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 long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.

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. The 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.

Mound Bayou Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the district's highest level of decision-making authority. This formal action is a resolution approved by the School Board.

*Assigned fund balance* includes amounts that are constrained by the district's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the district's approved fund balance policy. There are no assigned fund balances.

*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.

**Mound Bayou Public School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

(2) **Cash and Cash Equivalents**

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

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

**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 \$2,202,872 and \$211,874, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$2,202,872 reported as cash and cash equivalents.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2011, none of the District's bank balance of \$2,414,746 was exposed to custodial credit risk.

(3) **Inter-fund Receivables, Payables and Transfers**

The following is a summary of interfund transactions and balances.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 93,593
	Food Service	5,228
	Other Governmental Funds	55,649
		<u>\$ 154,470</u>

The interfund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs. All inter-fund receivables and payables are expected to be repaid within one year.

Mound Bayou Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary Fund	\$ 930
	Food Service	57,151
Other governmental funds	Fiduciary Fund	40
Fiduciary Fund	General Fund	753
		\$ 58,874

Advances were for cash flow purposes.

C. Inter-fund Transfers

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 18,985
Title I Fund	General Fund	15,478
Food Service	General Fund	5,228
Other Governmental Funds	General Fund	9,133
Total		\$ 48,824

The transfers were primarily for funding salaries, indirect cost and debt service.

Mound Bayou Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

(4) Capital Assets.

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

Governmental Activities:	Balance 7-1-2010	Increases	Decreases	Adjustments	Balance 6-30-2011
<u>Depreciable Capital Assets</u>					
Buildings	1,563,657				1,563,657
Building improvements	606,661				606,661
Improvements other than buildings	56,513				56,513
Mobile equipment	877,760	102,859			980,619
Furniture and equipment	274,753	15,620			290,373
Total depreciable capital Assets	<u>3,379,344</u>	<u>118,479</u>	<u>0</u>	<u>0</u>	<u>3,497,823</u>
<u>Less accumulated depreciation:</u>					
Buildings	1,205,363	6,208			1,211,571
Building improvements	53,711	24,982			78,693
Improve other than buildings	18,088	2,261			20,349
Mobile equipment	466,248	69,102			535,350
Furniture & equipment	203,446	25,777			229,223
Total accumulated depreciation	<u>1,946,856</u>	<u>128,330</u>	<u>0</u>	<u>0</u>	<u>2,075,186</u>
Total depreciable capital assets, net	<u>1,432,488</u>	<u>(9,851)</u>	<u>0</u>	<u>0</u>	<u>1,422,637</u>
Governmental activities capital assets, net	<u>1,432,488</u>	<u>(9,851)</u>	<u>0</u>	<u>0</u>	<u>1,422,637</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 48,765
Support services	71,865
Non-instructional services	7,700
Total depreciation expense - Governmental	<u>\$ 128,330</u>

**Mound Bayou Public School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

(5) Long - term liabilities.

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

	Balance 07-01-2010	Additions	Reductions	Balance 06-30-2011	Amount due within one Year
A. QZAB bonds payable	\$ 855,000		855,000	0	
B. Compensated absences	35,157	1,088		36,245	
<b>Total</b>	<b>890,157</b>	<b>0</b>	<b>855,000</b>	<b>36,245</b>	<b>0</b>

The school district has elected to net deferred bond cost arising from refunding with the carrying amount of the debt.

**A. Qualified Zone Academy Bonds payable.**

As more fully explained Note 9, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds, Series 2000	0%	09-12-00	07-01-10	855,000	0
<b>Total</b>				<b>\$ 855,000</b>	<b>0</b>

This debt was retired from the Debt Service Fund. A transfer from EEF Building and Buses Fund to the Debt Service Fund to pay the escrow agent. This transfer is shown on Exhibit D of this report.

**B. Compensated absences payable**

As more fully explained in Note 1(f)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-305(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund which the employees' salaries were paid.

(6) Defined Benefit Pension Plan.

**Plan Description.** The school district contributes to the Public Employee's 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'

**Mound Bayou Public School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contribution to PERS for the fiscal years ending June 30, 2011, 2010, and 2009 were \$337,076 , \$394,950, and 370,759, respectively, which equaled the required contributions for each year.

**(7) 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 disallowance 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 government operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**(8) Risk Management**

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

**Participation in Public Entity Risk Pool.**

The school district is a member of the Mississippi School Boards Association Worker's Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Mound Bayou Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

(9) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Duncan Williams, Inc. has entered such agreement dated September 12, 2000. The note was issued for the purpose of paying the costs of renovating, repairing, and rehabilitations a Qualified Zone Academy within the district and paying the costs of such borrowing with Duncan Williams, Inc., assisting in the underwriting.

This agreement established a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The amount of \$54,000 was transferred to the Debt Service Fund from Other Governmental Funds during the year. This note has been retired.

(10) Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Adjustment required to correct prior year expenditure accrual.	\$ 9,883
Total	<u>\$ 9,883</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Adjustment required to correct prior year expenditure accrual. \$	(10,867)
Title I Fund	Adjustment required to correct prior year expenditure accrual.	465
16th Section Interest Fund	Adjustment required to correct prior year expenditure accrual.	883
Other Governmental Funds	Adjustment required to correct prior year expenditure accrual.	19,402
Total		<u>\$ 9,883</u>

Mound Bayou Public School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

(11) Alternative School Consortium.

The District entered into an Alternative School Agreement dated November 6, 1996, creating the North Delta Alternative School. The consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes West Tallahatchie School District, Coahoma County School District, Quitman County School District, and Sunflower County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

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**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

Mound Bayou Public School District  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2011

	Budget Original	Amounts Final	Actual GAAP Basis	Variances Positive ( Negative)	
				Original to Final	Final to Actual
<b>REVENUES</b>					
Local sources	\$ 560,890	659,053	659,053	98,163	0
State sources	2,649,238	2,676,722	2,667,914	27,484	(8,808)
Federal sources	25,483	44,417	44,417	18,934	0
Total revenues	<u>3,235,611</u>	<u>3,380,192</u>	<u>3,371,384</u>	<u>144,581</u>	<u>(8,808)</u>
<b>EXPENDITURES</b>					
Instruction	1,909,039	1,629,895	1,629,895	279,144	0
Support services	1,999,460	1,460,749	1,460,749	538,711	0
Facilities acquisition and construction		16,500	16,500	(16,500)	0
Other cost		8,808		(8,808)	8,808
Total expenditures	<u>3,908,499</u>	<u>3,115,952</u>	<u>3,107,144</u>	<u>792,547</u>	<u>8,808</u>
Excess (deficiency) of revenues over expenditures	<u>(672,888)</u>	<u>264,240</u>	<u>264,240</u>	<u>937,128</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	99,820	29,839	29,839	(69,981)	0
Operating transfers out	(74,213)	(18,985)	(18,985)	55,228	0
Other sources		13	13	13	0
Total other financing sources and uses	<u>25,607</u>	<u>10,867</u>	<u>10,867</u>	<u>(14,740)</u>	<u>0</u>
Net change in fund balances	<u>(647,281)</u>	<u>275,107</u>	<u>275,107</u>	<u>922,388</u>	<u>0</u>
Fund balances:					
July 1, 2010, as originally reported	1,231,463	1,303,764	1,300,347	72,301	(3,417)
Prior period adjustments		(14,284)	(10,867)	(14,284)	3,417
July 1, 2010, as restated	<u>1,231,463</u>	<u>1,289,480</u>	<u>1,289,480</u>	<u>58,017</u>	<u>0</u>
June 30, 2011	<u>\$ 584,182</u>	<u>1,564,587</u>	<u>1,564,587</u>	<u>980,405</u>	<u>0</u>

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

Mound Bayou Public School District  
 Budgetary Comparison Schedule for the Title I Fund  
 For the Year Ended June 30, 2011

	Budget		Actual GAAP Basis	Variances	
	Original	Amounts Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Federal sources	\$ 587,700	643,462	643,462	55,762	0
Total revenues	<u>587,700</u>	<u>643,462</u>	<u>643,462</u>	<u>55,762</u>	<u>0</u>
<b>EXPENDITURES</b>					
Instruction	220,142	338,409	338,409	(118,267)	0
Support services	283,085	236,843	236,843	46,242	0
Noninstructional services	70,873	55,251	55,251	15,622	0
Total expenditures	<u>574,100</u>	<u>630,503</u>	<u>630,503</u>	<u>(56,403)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>13,600</u>	<u>12,959</u>	<u>12,959</u>	<u>(641)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer out	(13,600)	(15,478)	(15,478)	(1,878)	0
Total financing sources (uses)	<u>(13,600)</u>	<u>(15,478)</u>	<u>(15,478)</u>	<u>(1,878)</u>	<u>0</u>
Net change in fund balances	<u>0</u>	<u>(2,519)</u>	<u>(2,519)</u>	<u>(2,519)</u>	<u>0</u>
Fund balances:					
July 1, 2010, as originally reported	(61,159)	2,519	2,054	63,678	(465)
Prior period adjustments	<u>0</u>	<u>0</u>	<u>465</u>	<u>0</u>	<u>465</u>
July 1, 2010, as restated	<u>(61,159)</u>	<u>2,519</u>	<u>2,519</u>	<u>63,678</u>	<u>0</u>
June 30, 2011	\$ <u>(61,159)</u>	<u>0</u>	<u>0</u>	<u>61,159</u>	<u>0</u>

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

Mound Bayou Public School District  
 Budgetary Comparison Schedule for the Food Service Fund  
 For the Year Ended June 30, 2011

	Budget		Actual GAAP Basis	Variances	
	Original	Amounts Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Local sources	\$ 19,550	18,571	18,571	(979)	0
State sources		4,009	4,009	4,009	0
Federal sources	376,362	373,356	373,356	(3,006)	0
Total revenues	<u>395,912</u>	<u>395,936</u>	<u>395,936</u>	<u>24</u>	<u>0</u>
<b>EXPENDITURES</b>					
Support services	57,280	54,897	54,897	2,383	0
Noninstructional services	333,632	317,509	318,160	16,123	651
Total expenditures	<u>390,912</u>	<u>372,406</u>	<u>373,057</u>	<u>18,506</u>	<u>651</u>
Excess (deficiency) of revenues over expenditures	<u>5,000</u>	<u>23,530</u>	<u>22,879</u>	<u>18,530</u>	<u>(651)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer out	(5,000)	(5,228)	(5,228)	(228)	0
Total financing sources (uses)	<u>(5,000)</u>	<u>(5,228)</u>	<u>(5,228)</u>	<u>(228)</u>	<u>0</u>
Net change in fund balances	0	18,302	17,651	18,302	(651)
Fund balances:					
July 1, 2010,	9,505	22,511	22,511	13,006	0
Increase (decrease) in reserve for inventory	<u>0</u>	<u>0</u>	<u>651</u>	<u>0</u>	<u>651</u>
June 30, 2011	<u>\$ 9,505</u>	<u>40,813</u>	<u>40,813</u>	<u>31,308</u>	<u>0</u>

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

Mound Bayou Public School District  
 Budgetary Comparison Schedule for the 16th Section Interest Fund  
 For the Year Ended June 30, 2011

REVENUES	Budget	Amounts	Actual GAAP Basis	Variances Positive ( Negative )	
	Original	Final		Original to Final	Final to Actual
Local sources	\$ 750	937	937	187	0
Sixteenth section sources	21,404	23,325	72,155	1,921	48,830
Total revenues	<u>22,154</u>	<u>24,262</u>	<u>73,092</u>	<u>2,108</u>	<u>48,830</u>
<b>EXPENDITURES</b>					
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>22,154</u>	<u>24,262</u>	<u>73,092</u>	<u>2,108</u>	<u>48,830</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Total financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	22,154	24,262	73,092	2,108	48,830
Fund balances:					
July 1, 2010,	350,977	351,860	350,977	883	(883)
Prior period adjustments	<u>0</u>	<u>0</u>	<u>883</u>	<u>0</u>	<u>883</u>
June 30, 2011	<u>\$ 373,131</u>	<u>376,122</u>	<u>424,952</u>	<u>2,991</u>	<u>48,830</u>

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

**Mound Bayou Public School District**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2011**

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

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**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

**Mound Bayou Public School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

**Schedule 1**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education		
<b>Child Nutrition Cluster:</b>		
National School Lunch Program	10.555	\$ 273,707
National School Breakfast Program	10.553	115,727
Summer Food Service Program for Children	10.559	26,762
<b>Total Child Nutrition Cluster</b>		<u>416,196</u>
Total U.S. Department of Agriculture Pass-Through Programs		<u>416,196</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Impact Aid-Facilities Maintenance	84.040	19,128
Total U.S. Department of Education - Direct Program		<u>19,128</u>
Passed-through Mississippi Department of Education:		
<b>Title I, Part A Cluster</b>		
Title I - Grants to Local Educational Agencies	84.010	645,981
ARRA - Title I - Grants to Local Educational Agencies Recovery Act	84.389	422,660
<b>Total Title I, Part A Cluster</b>		<u>1,068,641</u>
<b>Special Education Cluster (IDEA):</b>		
Special Education Grants to States	84.027	145,221
Special Education Preschool Grants	84.173	6,636
ARRA - Special Education Grants to States, Recovery Act	84.391	81,915
ARRA - Special Education-Preschool Grants, Recovery Act	84.392	2,486
<b>Total Special Education Cluster (IDEA)</b>		<u>236,258</u>
<u>Total Department of Education - Other Programs</u>		
Career and Technical Education - Basic Grant to States	84.048	1,911
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	
Safe and Drug-Free Schools and Communities _ State Grants	84.186	4,842
Education for Homeless Children and Youth	84.196	
Reading First State Grants	84.357	150,928
Rural Education	84.358	13,918
Improving Teacher Quality State Grants	84.367	98,366
ARRA-State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	183,008
Education Jobs Fund	84.410	95,661
School Health N2	99.MIS	25,289
<b>Total Other Programs</b>		<u>573,923</u>

Mound Bayou Public School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Schedule 1  
Page 2

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
Total U.S. Department of Education Pass-Through Programs		<u>1,878,822</u>
<b>Total Expenditures of Federal Awards</b>		<b>\$ <u>2,314,146</u></b>

Notes to Schedule

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

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

Schedule 2

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,005,053	2,824,473	452,813	230,444	497,323
Other	2,535,649	813,236	99,312	424	1,622,677
<b>Total</b>	<b>\$ 6,540,702</b>	<b>3,637,709</b>	<b>552,125</b>	<b>230,868</b>	<b>2,120,000</b>
Total number of students	570				
Cost per student	\$ 11,475	6,382	969	405	3,719

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

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

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

School Administration - includes expenditures for the following functions: Support Services - School Administration (2400's).

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

- Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

**OTHER INFORMATION**

Mound Bayou Public School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund - Last Four Years

	<u>Unaudited</u>			
	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
<b>Revenues:</b>				
Local sources	\$ 659,053	535,600	531,738	558,719
State sources	2,667,914	2,659,824	3,282,445	3,461,895
Federal sources	44,417	195,621	35,916	122,777
	<u>3,371,384</u>	<u>3,391,045</u>	<u>3,850,099</u>	<u>4,143,391</u>
<b>Expenditures:</b>				
Instruction	1,629,895	2,045,119	2,363,680	2,264,719
Support services	1,477,249	1,657,125	1,421,749	1,434,680
Noninstructional services		48	593	
Facilities acquisition and construction		8,040	463,246	181,845
Debt service:				
Principal			6,413	12,827
Other				
	<u>3,107,144</u>	<u>3,710,332</u>	<u>4,255,681</u>	<u>3,894,071</u>
Excess (deficiency) of revenues over expenditures	<u>264,240</u>	<u>(319,287)</u>	<u>(405,582)</u>	<u>249,320</u>
<b>Other Financing Sources (Uses)</b>				
Insurance loss recoveries			79,141	32,298
Other financing sources	13			
Operating transfers in	29,839	32,987		
Operating transfers out	(18,985)	(17,183)	(71,532)	(32,343)
	<u>10,867</u>	<u>15,804</u>	<u>7,609</u>	<u>(45)</u>
Net Change in Fund Balances	<u>275,107</u>	<u>(303,483)</u>	<u>(397,973)</u>	<u>249,275</u>
<b>Fund Balance:</b>				
July 1, as originally reported	1,300,347	1,607,723	2,005,696	1,756,421
Prior period adjustments	(10,867)	(3,893)		
July 1, as restated	<u>1,289,480</u>	<u>1,603,830</u>	<u>2,005,696</u>	<u>1,756,421</u>
June 30,	<u>\$ 1,564,587</u>	<u>1,300,347</u>	<u>1,607,723</u>	<u>2,005,696</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

Mound Bayou Public School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
All Governmental Funds - Last Four Years

	Unaudited			
	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 869,647	868,148	782,635	937,843
State sources	2,877,042	3,009,813	3,632,206	3,817,008
Federal sources	2,294,580	2,261,033	1,344,488	1,332,221
Sixteenth section sources	72,155	9,241	33,948	51,608
<b>Total Revenue</b>	<b>6,113,424</b>	<b>6,148,235</b>	<b>5,793,277</b>	<b>6,138,680</b>
<b>Expenditures:</b>				
Instruction	3,208,072	3,616,124	3,192,037	3,114,767
Support services	2,060,529	2,248,397	2,076,932	2,039,977
Noninstructional services	417,101	447,875	448,846	431,936
Facilities acquisition and construction		8,040	463,246	181,845
Debt service:				
Principal	855,000		6,413	12,827
Interest				
Other		500	500	500
<b>Total Expenditures</b>	<b>6,540,702</b>	<b>6,320,936</b>	<b>6,187,974</b>	<b>5,781,852</b>
Excess (deficiency) of revenues over expenditures	(427,278)	(172,701)	(394,697)	356,828
<b>Other Financing Sources (Uses)</b>				
Insurance loss recoveries			79,141	32,298
Transfers in	48,824	104,170	125,532	110,808
Transfers out	(48,824)	(104,170)	(125,532)	(110,808)
Other financing sources	13			
<b>Total Other Financing Sources (Uses)</b>	<b>13</b>	<b>0</b>	<b>79,141</b>	<b>32,298</b>
<b>Net Change In Fund Balances</b>	<b>(427,265)</b>	<b>(172,701)</b>	<b>(315,556)</b>	<b>389,126</b>
<b>Fund Balance:</b>				
July 1, as originally reported	2,760,529	2,921,401	3,240,573	2,849,512
Prior period adjustments	9,883	13,606		
July 1, as restated	2,770,412	2,935,007	3,240,573	2,849,512
Increase (decrease) in reserve for inventory	651	(1,777)	(3,616)	1,935
<b>June 30,</b>	<b>\$ 2,343,798</b>	<b>2,760,529</b>	<b>2,921,401</b>	<b>3,240,573</b>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

BRIDGERS & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
(A Professional Corporation)  
3528 Manor Drive  
Vicksburg, MS 39180-5693

TELEPHONE 601-636-1416  
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DAVID I. BRIDGERS, JR., CPA

MEMBERS OF  
MISSISSIPPI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

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

Superintendent and School Board  
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2011, which collectively comprise the Mound Bayou Public School District's financial statements and have issued our report thereon dated March 13, 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 Mound Bayou Public School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Mound Bayou Public 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 Mound Bayou Public School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mound Bayou Public School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

*Bridgers & Company, P.C.*

Bridgers & Company, P.C.

Vicksburg, Mississippi

March 13, 2012

BRIDGERS & COMPANY, P.C.  
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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

Superintendent and School Board  
Mound Bayou Public School District

**Compliance**

We have audited the compliance of the Mound Bayou Public 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 its major federal programs for the year ended June 30, 2011. The Mound Bayou Public School District's major federal programs are identified in the summary of auditors 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 programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

### Internal Control Over Compliance

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

A deficiency in an entity's 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered 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 specific parties.

*Bridgers & Company, P.C.*

Bridgers & Company, P.C.

Vicksburg, Mississippi

March 13, 2012

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

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

**BRIDGERS & COMPANY, P.C.**  
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DAVID I. BRIDGERS, JR., CPA

**MEMBERS OF**  
**MISSISSIPPI SOCIETY OF CPA'S**  
**AMERICAN INSTITUTE OF CPA'S**

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

Superintendent and School Board  
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2011, which collectively comprise the Mound Bayou Public School District's basic financial statements and have issued our report thereon dated March 13, 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.

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 \$3,703, of classroom supply funds carried over from previous years.

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

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

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

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

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

*Bridgers & Company, P.C.*  
Bridgers & Company, P.C.  
Vicksburg, Mississippi  
March 13, 2012

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Mound Bayou Public 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. Internal control over financial reporting:   |               |
| a. Material weaknesses identified?  | No            |
| b. Significant deficiency identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted?                                | No            |

**Federal Awards:**

- |   |               |
|---|---------------|
| 4. Internal control over major programs:  |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiency identified that are not considered to be material weaknesses?             | None reported |
| 5. Type of auditor's report issued on compliance for major programs:                                | Unqualified   |
| 6. Any audit finding(s) reported as required by Section __.510 of Circular A-133?                   | No            |
| 7. Federal programs identified as major programs:   |               |
| a. State Fiscal Stabilization Fund (SFSF) - Education<br>State Grants, Recovery Act<br>CFDA# 84.394 |               |
| b. Title I, Part A Cluster<br>CFDA# 84.010<br>CFDA# 84.389  |               |
| 8. The dollar threshold to distinguish between type A and type B programs:                          | \$300,000     |
| 9. Auditee qualified as a low-risk auditee?   | No            |

**Section 2: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Questioned Costs**

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT  
201 Green Street  
Mound Bayou, Mississippi 38762

Mr. William Crocket – Superintendent

Kellia Johnson – Business Manager

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended June 30, 2011

Bridgers & Company, P.C.  
3528 Manor Dr.  
Vicksburg, Mississippi

Gentlemen:

Mound Bayou Public School District respectfully submits the following summary schedule of prior audit findings relative to federal awards.

UNITED STATES DEPARTMENT OF EDUCATION

Finding: 2010-2

Title I, Part A Cluster – CFDA Nos. 84.010/84.389, Special Education Cluster (IDEA) – CFDA Nos. 84.027/84.392, Reading First State Grants – CFDA No. 84.357 as passed through the Mississippi Department of Education.

Compliance Requirement:

Procurement and Suspension and Debarment

Condition:

Management is responsible for complying with the requirements of the State of Mississippi, Department of Education, Policies and Procedures as set forth in the Financial Accounting Manual for Public School Districts, Section D: Purchasing with reference to "Public Purchasing Laws: Titles 31 and 37" which requires the school districts establish a purchasing system to meet the objectives of "buying materials, supplies, commodities, and services that are of the right quality, quantity, price and from the right source with delivery being at the right place". A well designed purchasing system should include these forms: A) Purchase Requisitions B) Purchase Orders C) Receiving Reports.

During our dual-purpose test work pertaining to allowable cost, we examined twenty-five items and noted seven exception items. These items failed to meet criteria which tests for conformity to applicable state or local laws or regulations. Dollar value of the items tested was not a factor for inclusion or exclusion in the sampling process. In particular, the seven items failed to include one or more of the forms necessary to provide a well designed purchasing system. The Lack of adequate internal controls concerning the purchasing system could result in goods and services being acquired and charged incorrectly to District as well as federal programs.

Recommendation:

District management must adhere to the Financial Accounting Manual for Public School Districts - Section D: Purchasing to insure goods and services acquired include all three forms of a well designed purchasing system. This Internal control system enhances the ability of management to prevent, detect and deter activities that could have an adverse effect on the financial statements of the district.

Current Status:

"Corrective action was taken."

Sincerely yours,

  
Kellia Johnson, Business Manager  
Phone: (662) 741-2555