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**NATCHEZ-ADAMS SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS,  
MANAGEMENT'S DISCUSSION AND ANALYSIS,  
SUPPLEMENTAL INFORMATION AND  
AUDITORS' REPORTS ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING,  
COMPLIANCE AND OTHER MATTERS**

**YEAR ENDED JUNE 30, 2011**

NATCHEEZ-ADAMS SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Natchez-Adams School Board  
Natchez, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Natchez-Adams 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Natchez-Adams School District as of June 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2012, on our consideration of the Natchez-Adams School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 15 and 46 through 48 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Natchez-Adams School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards and the schedule of instructional, administrative and other expenditures – governmental funds are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Mississippi and are also not a required part of the financial statements. The schedules named above are the responsibility of management and were derived from and relate 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 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 financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Natchez-Adams 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.

*The Millon Group, PLLC*

Natchez, Mississippi  
January 11, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of Natchez-Adams 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 \$619,010, including a prior period adjustment of (\$2,507), which represents a 1.9% increase from fiscal year 2010. Total net assets for 2010 decreased \$1,074,222, including a prior period adjustment of \$63, which represents a 3.2% decrease from fiscal year 2009.
- General revenues amounted to \$27,995,871 and \$27,770,744, or 69% and 70% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,609,525, or 31% of total revenues for 2011, and \$11,773,850, or 30% of total revenues for 2010.
- The District had \$39,983,879 and \$40,618,879 in expenses for fiscal years 2011 and 2010; only \$12,609,525 for 2011 and \$11,773,850 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$27,995,871 for 2011 were adequate to provide for these programs; however, general revenues of \$27,770,744 for 2010 were not adequate.
- Among major funds, the General Fund had \$25,756,979 in revenues and \$25,900,611 in expenditures for 2011, and \$26,277,044 in revenues and \$26,930,908 in expenditures in 2010. The General Fund's fund balance decreased by \$29,773 from 2010 to 2011, and increased by \$17,744 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$433,559 for 2011 and decreased by \$146,225 for 2010. The decrease for 2011 was the result of the increased accumulated depreciation of \$839,755 more than offsetting the addition of \$406,310 of assets.
- Long-term debt decreased by \$857,868 for 2011 and decreased by \$647,595 for 2010. This decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$2,868 for 2011 and decreased by \$70,095 for 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

**NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

**NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

#### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

#### **Notes to the Financial Statements**

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

**NATCHEEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Required Supplemental Information**

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

**Supplemental Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$33,124,807 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 I presents a summary of the District's net assets at June 30, 2011 and June 30, 2010

**NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Table 1  
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 9,519,835	\$ 9,036,967	5.34 %
Restricted assets	18,422,848	18,737,346	-1.68 %
Capital assets, net	15,496,572	15,930,131	-2.72 %
<b>Total assets</b>	<b><u>43,439,255</u></b>	<b><u>43,704,444</u></b>	<b>-0.61 %</b>
Current liabilities	3,637,360	3,638,691	-0.04 %
Long-term debt outstanding	6,677,088	7,559,956	-11.68 %
<b>Total liabilities</b>	<b><u>10,314,448</u></b>	<b><u>11,198,647</u></b>	<b>-7.90 %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	8,251,572	7,830,131	5.38 %
Restricted	19,323,432	19,172,064	0.79 %
Unrestricted	5,549,803	5,503,602	0.84 %
<b>Total net assets</b>	<b><u>\$ 33,124,807</u></b>	<b><u>\$ 32,505,797</u></b>	<b>1.90 %</b>

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

- Increase/Decrease in net capital assets in the amount of \$433,559.
- The principal retirement of \$855,000 of long-term debt.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$40,605,396 and \$39,544,594, respectively. The total cost of all programs and services was \$39,983,879 for 2011 and \$40,618,879 for 2010.

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

**NATCHEEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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	\$ 441,987	\$ 427,248	3.45 %
Operating grants and contributions	12,167,538	11,346,602	7.24 %
General revenues:			
Property taxes	10,518,166	10,314,813	1.97 %
Grants and contributions not restricted	16,039,822	16,223,706	(1.13) %
Investment earnings	616,157	647,706	(4.87) %
Sixteenth section sources	732,156	487,935	50.05 %
Other	89,570	96,584	(7.26) %
<b>Total revenues</b>	<b><u>40,605,396</u></b>	<b><u>39,544,594</u></b>	<b>2.68 %</b>
<b>Expenses:</b>			
Instruction	22,806,428	23,150,313	(1.49) %
Support services	14,573,690	14,782,043	(1.41) %
Non-instructional	2,290,514	2,364,198	(3.12) %
Sixteenth section	29,732	7,577	292.40 %
Interest and other expenses on long-term liabilities	283,515	314,748	(9.92) %
<b>Total expenses</b>	<b><u>39,983,879</u></b>	<b><u>40,618,879</u></b>	<b>(1.56) %</b>
<b>Increase (Decrease) in net assets</b>	<b><u>621,517</u></b>	<b><u>(1,074,285)</u></b>	<b>157.85 %</b>
<b>Net Assets, July 1, as originally reported</b>	<b><u>32,505,797</u></b>	<b><u>33,580,019</u></b>	<b>(3.20) %</b>
<b>Prior Period Adjustment</b>	<b><u>(2,507)</u></b>	<b><u>63</u></b>	<b>(4,079.67) %</b>
<b>Net Assets, July 1, as restated</b>	<b><u>32,503,290</u></b>	<b><u>33,580,082</u></b>	<b>(3.21) %</b>
<b>Net Assets, June 30</b>	<b><u>\$ 33,124,807</u></b>	<b><u>\$ 32,505,797</u></b>	<b>1.90 %</b>

**Governmental activities**

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

**NATCHEEZ-ADAMS 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>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 22,806,428	\$ 23,150,313	(1.49) %
Support services	14,573,690	14,782,043	(1.41) %
Non-instructional	2,290,514	2,364,198	(3.12) %
Sixteenth section	29,732	7,577	292.40 %
Interest on long-term liabilities	283,515	314,748	(9.92) %
<b>Total expenses</b>	<b><u>\$ 39,983,879</u></b>	<b><u>\$ 40,618,879</u></b>	<b>(1.56) %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (15,053,915)	\$ (16,434,064)	(8.40) %
Support services	(12,327,394)	(12,558,718)	(1.84) %
Non-instructional	283,055	436,778	(35.19) %
Sixteenth section	7,415	25,723	(71.17) %
Interest on long-term liabilities	(283,515)	(314,748)	(9.92) %
<b>Total net (expense) revenue</b>	<b><u>\$ (27,374,354)</u></b>	<b><u>\$ (28,845,029)</u></b>	<b>(5.10) %</b>

- Net cost of governmental activities (\$27,374,354 for 2011 and \$28,845,029 for 2010) was financed by general revenue, which is made up of property taxes (\$10,518,166 for 2011 and \$10,314,813 for 2010) and state and federal revenues (\$16,039,822 for 2011 and \$16,223,706 for 2010). In addition, there was \$732,156 and \$487,935 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$616,157 for 2011 and \$647,706 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 \$25,328,881, an increase of \$180,162, which includes a prior period adjustment of (\$2,507) and an increase in inventory of \$8,105. \$1,657,888 or 6.5% of the fund balance is unassigned, which

**NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$23,670,993 or 93.5% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$29,773, including a prior period adjustment and a change in inventory. The fund balance of Other Governmental Funds showed an increase in the amount of \$888, which includes a decrease in reserve for inventory of \$15,594, due primarily to the Child Nutrition Fund using and reducing its inventory of food. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Sixteenth Section Interest Fund	\$	73,107
Sixteenth Section Principal Fund	\$	135,940

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$29,223,197, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$394,990 from 2010. Total accumulated depreciation as of June 30, 2011, was \$13,726,625, and total depreciation expense for the year was \$839,755, resulting in total net capital assets of \$15,496,572.

**NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 2,054,130	\$ 2,054,130	0.00 %
Buildings	9,825,922	10,085,310	(2.57) %
Building improvements	2,765,909	2,972,320	(6.94) %
Improvements other than buildings	272,364	284,586	(4.29) %
Mobile equipment	54,274	65,818	(17.54) %
Furniture and equipment	523,973	467,967	11.97 %
<b>Total</b>	<b><u>\$ 15,496,572</u></b>	<b><u>\$ 15,930,131</u></b>	<b>(2.72) %</b>

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

**Debt Administration.** At June 30, 2011, the District had \$7,577,088 in outstanding long-term debt, of which \$900,000 is due within one year. The liability for compensated absences decreased \$2,868 from the prior year.

The District maintains an AA- bond rating.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 4,335,000	\$ 4,850,000	(10.62) %
Certificates of participation payable	2,910,000	3,250,000	(10.46) %
Compensated absences payable	332,088	334,956	(0.86) %
<b>Total</b>	<b><u>\$ 7,577,088</u></b>	<b><u>\$ 8,434,956</u></b>	<b>(10.17) %</b>

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

**CURRENT ISSUES**

The Natchez-Adams School District is financially stable. The District is proud of its community support of the public schools.

**NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Natchez-Adams School District, 10 Homochitto Street, Natchez, Mississippi, 39120.

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FINANCIAL STATEMENTS

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**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Statement of Net Assets**  
June 30, 2011

**Exhibit A**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,087,790
Cash with fiscal agents	270,474
Due from other governments	2,746,972
Accrued interest receivable	161
Lease receivable	41,225
Other receivables, net	169,891
Inventories	203,322
Restricted assets	18,422,848
Capital assets, non-depreciable:	
Land	2,054,130
Capital assets, net of accumulated depreciation:	
Buildings	9,825,922
Building improvements	2,765,909
Improvements other than buildings	272,364
Mobile equipment	54,274
Furniture and equipment	523,973
Total Assets	43,439,255
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,608,164
Unearned revenue	5,638
Interest payable on long-term liabilities	123,558
Long-term liabilities, due within one year:	
Capital related liabilities	880,000
Non-capital related liabilities	20,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	6,365,000
Non-capital related liabilities	312,088
Total Liabilities	10,314,448
<b>Net Assets</b>	
Invested in capital assets, net of related debt	8,251,572
Restricted for:	
Expendable:	
School-based activities	750,304
Debt service	475,316
Forestry improvements	55,791
Unemployment benefits	88,209
Non-expendable:	
Sixteenth section	17,953,812
Unrestricted	5,549,803
Total Net Assets	\$ 33,124,807

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

**NATCHEZ ADAMS SCHOOL DISTRICT**

**Statement of Activities**

For the Year Ended June 30, 2011

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 22,806,428	\$ 290,722	\$ 7,461,791	\$ -		\$ (15,053,915)
Support services	14,573,690	-	2,246,296	-		(12,327,394)
Non-instructional	2,290,514	114,118	2,459,451	-		283,055
Sixteenth section	29,732	37,147	-	-		7,415
Interest on long-term liabilities	283,515	-	-	-		(283,515)
<b>Total Governmental Activities</b>	<b>\$ 39,983,879</b>	<b>\$ 441,987</b>	<b>\$ 12,167,538</b>	<b>\$ -</b>		<b>\$ (27,374,354)</b>
<b>General Revenues:</b>						
Taxes:						
						10,518,146
						20
Unrestricted grants and contributions:						
						15,109,180
						642,227
						288,415
						616,157
						732,156
						89,570
						<u>27,995,871</u>
						621,517
						<u>32,505,797</u>
						(2,507)
						<u>32,503,290</u>
						<u>\$ 33,124,807</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
June 30, 2011

**Exhibit C**

	Major Funds				Total Governmental Funds
	General Fund	Sixteenth Section Interest	Sixteenth Section Principal	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 3,685,402	\$ 1,253,543	\$ 18,422,848	\$ 1,148,845	\$ 24,510,638
Cash with fiscal agents	-	-	-	270,474	270,474
Due from other governments	498,045	-	-	2,248,927	2,746,972
Accrued interest receivable	161	-	-	-	161
Other receivables, net	110,387	41,225	1,846	57,658	211,116
Due from other funds	1,578,857	2,707,778	-	85,647	4,372,282
Inventories	135,150	-	-	68,172	203,322
<b>Total assets</b>	<b>\$ 6,008,002</b>	<b>\$ 4,002,546</b>	<b>\$ 18,424,694</b>	<b>\$ 3,879,723</b>	<b>\$ 32,314,965</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 1,744,732	\$ -	\$ -	\$ 863,432	\$ 2,608,164
Due to other funds	2,342,462	41,462	470,882	1,517,476	4,372,282
Unearned revenue	-	-	-	5,638	5,638
<b>Total Liabilities</b>	<b>4,087,194</b>	<b>41,462</b>	<b>470,882</b>	<b>2,386,546</b>	<b>6,986,084</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	\$ 135,150	\$ -	\$ -	\$ 68,172	\$ 203,322
Permanent fund principal	-	-	17,953,812	-	17,953,812
<b>Restricted:</b>					
Debt service	-	-	-	598,874	598,874
Forestry improvement purposes	-	-	-	55,791	55,791
Grant activities	-	-	-	269,376	269,376
Unemployment benefits	-	-	-	88,209	88,209
<b>Assigned:</b>					
School-based activities	127,770	3,961,084	-	412,755	4,501,609
<b>Unassigned</b>	<b>1,657,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,657,888</b>
<b>Total Fund Balances</b>	<b>1,920,808</b>	<b>3,961,084</b>	<b>17,953,812</b>	<b>1,493,177</b>	<b>25,328,881</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,008,002</b>	<b>\$ 4,002,546</b>	<b>\$ 18,424,694</b>	<b>\$ 3,879,723</b>	<b>\$ 32,314,965</b>

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

**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 25,328,881**

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

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

Land	\$ 2,054,130	
Buildings	18,783,434	
Building improvements	5,160,541	
Improvements other than buildings	305,533	
Mobile equipment	337,386	
Furniture and equipment	2,582,173	
Accumulated depreciation	<u>(13,726,625)</u>	15,496,572

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

Limited obligation bonds	\$ (4,335,000)	
Certificates of participation	(2,910,000)	
Compensated absences	(332,088)	
Accrued interest payable	<u>(123,558)</u>	(7,700,646)

**Net assets of governmental activities** **\$ 33,124,807**

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest	Sixteenth Section Principal		
<b>Revenues:</b>					
Local sources	\$ 10,983,396	\$ -	\$ -	\$ 175,642	\$ 11,159,038
Intermediate sources	-	-	-	172,714	172,714
State sources	14,081,831	-	-	1,957,124	16,038,955
Federal sources	691,752	-	-	11,259,239	11,950,991
Sixteenth section sources	-	635,786	606,620	40,721	1,283,327
<b>Total Revenues</b>	<b>25,756,979</b>	<b>635,786</b>	<b>606,620</b>	<b>13,605,440</b>	<b>40,605,025</b>
<b>Expenditures:</b>					
Instruction	14,169,464	-	-	8,218,606	22,408,070
Support services	11,709,807	-	-	2,872,576	14,582,383
Noninstructional services	1,340	-	-	2,256,254	2,257,594
Sixteenth section	-	-	-	29,732	29,732
Debt service:					
Principal	-	-	-	855,000	855,000
Interest	-	-	-	294,270	294,270
Other	-	-	-	3,784	3,784
<b>Total Expenditures</b>	<b>25,900,611</b>	<b>-</b>	<b>-</b>	<b>14,530,222</b>	<b>40,430,833</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(143,632)</b>	<b>635,786</b>	<b>608,820</b>	<b>(924,782)</b>	<b>174,192</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	4,513,098	470,880	-	1,216,589	6,200,567
Other financing sources	372	-	-	-	372
Operating transfers out	(4,409,186)	(1,033,559)	(470,880)	(288,982)	(6,200,587)
<b>Total Other Financing Sources (Uses)</b>	<b>104,304</b>	<b>(562,679)</b>	<b>(470,880)</b>	<b>929,827</b>	<b>372</b>
<b>Net Change in Fund Balances</b>	<b>(39,328)</b>	<b>73,107</b>	<b>135,940</b>	<b>4,845</b>	<b>174,564</b>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported	1,950,581	3,887,977	17,817,872	1,492,289	25,148,719
Prior period adjustments	(2,507)	-	-	-	(2,507)
Residual equity transfers	(11,837)	-	-	11,637	-
July 1, 2010, as restated	1,936,437	3,887,977	17,817,872	1,503,926	25,148,212
<b>Increase (Decrease) in reserve for inventory</b>	<b>23,699</b>	<b>-</b>	<b>-</b>	<b>(15,594)</b>	<b>8,105</b>
<b>June 30, 2011</b>	<b>\$ 1,920,809</b>	<b>\$ 3,981,084</b>	<b>\$ 17,953,812</b>	<b>\$ 1,493,177</b>	<b>\$ 25,328,881</b>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 174,564

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

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

Capital outlay	\$ 406,310	
Depreciation expense	<u>(839,755)</u>	(433,445)

2. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds. (114)

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

Payments of debt principal	\$ 855,000	
Accrued interest payable	<u>14,539</u>	869,539

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	\$ 2,868	
Change in inventory reserve	<u>8,105</u>	10,973

<b>Change in net assets of governmental activities</b>	<u><u>\$ 621,517</u></u>
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The notes to the financial statements are an integral part of this statement.

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**

**Exhibit E**

June 30, 2011

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 462,489
Other receivables	4,625
Due from other funds	5,144
Prepaid items	17,429
<b>Total Assets</b>	<b>\$ 489,687</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 11,291
Accrued payroll	85
Salary withholding payable	308,108
Due to other funds	110,387
Due to student clubs	45,407
Other payables	14,409
<b>Total Liabilities</b>	<b>\$ 489,687</b>

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

#### Note 1 – Summary of Significant Accounting Policies

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

##### A. Basis of Presentation

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

##### B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board, where two are appointed by the Adams County Board of Supervisors and three are appointed by the City of Natchez Board of Aldermen.

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

##### Blended component unit

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

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 13).

#### C. Government-wide and Fund Financial Statements

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

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

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

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

used to account for and report all financial resources not accounted for and reported in another fund.

**Sixteenth Section Interest Fund** - This fund contains expendable Sixteenth Section funds. Sources include revenues from leases, interest, and sale of timber. It may be used to purchase investments, transfer to the District maintenance fund, and pay drainage district taxes and sixteenth section land improvements.

**Sixteenth Section Principal Fund** - This fund contains non-expendable Sixteenth Section funds. Sources include revenues from easements and right-of-ways, permanent damages, sale of sixteenth section lands, sale of non-renewable resources, sale of buildings, and interest. Funds may be used to purchase investments, purchase lieu lands, loans for school building purposes, forest stand improvements and purchase of school buses.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### PROPRIETARY FUNDS

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the school district has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

# NATCHEEZ-ADAMS SCHOOL DISTRICT

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

### FIDUCIARY FUNDS

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

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school

NATCHEZ-ADAMS SCHOOL DISTRICT

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

district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

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

**E. Encumbrances**

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

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

**I. Cash, Cash equivalents and Investments**

Cash and cash equivalents

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

#### Investments

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

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

Investments for the district, as well as for its component units, are reported at fair market value. As of June 30, 2011, there were no investments.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

*Non-spendable 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.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements  
For 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. At June 30, 2011, there are no committed fund balances for the school district.

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

*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 the most restricted resources first before moving down to the next category with available funds.

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 24,510,638 and \$462,489, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, \$.00 of the district's bank balance of \$26,003,345 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$270,474.

#### **Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

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

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

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 105,566
	Other governmental funds	1,473,291
Sixteenth Section Interest Fund	General Fund	2,236,896
	Sixteenth Section Principal Fund	470,882
Other governmental funds	Other governmental funds	44,185
	Sixteenth Section Interest Fund	41,462
Total		\$ 4,372,282
Fiduciary funds	General Fund	\$ 5,144

The amounts due to/from other funds represent amounts advanced or received, for timing differences between revenues and expenditures, and loans to cover cash deficits. The

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	General Fund	\$ 3,775,832
	Other governmental funds	633,334
Sixteenth Section Interest Fund	General Fund	490,370
	Other governmental funds	543,189
Sixteenth Section Principal Fund	Sixteenth Section Interest Fund	470,880
Other governmental funds	General Fund	246,896
	Other governmental funds	40,066
Total		\$ 6,200,567

The transfers represent operating transfers for school operation and transfers for indirect costs, debt service, and unrestricted Sixteenth Section interest earnings.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance of \$18,422,848 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**Note 5 – Capital Assets**

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 2,054,130	\$ -	\$ -	\$ 2,054,130
Total non-depreciable capital assets	<u>2,054,130</u>	<u>-</u>	<u>-</u>	<u>2,054,130</u>
<u>Depreciable capital assets:</u>				
Buildings	18,783,434	-	-	18,783,434
Building improvements	5,160,541	-	-	5,160,541
Improvements other than buildings	305,533	-	-	305,533
Mobile equipment	337,386	-	-	337,386
Furniture and equipment	2,187,183	406,310	11,320	2,582,173
Total depreciable capital assets	<u>26,774,077</u>	<u>406,310</u>	<u>11,320</u>	<u>27,169,067</u>
<u>Less accumulated depreciation for:</u>				
Buildings	8,698,124	259,388	-	8,957,512
Building improvements	2,188,221	206,411	-	2,394,632
Improvements other than buildings	20,947	12,222	-	33,169
Mobile equipment	271,568	11,544	-	283,112
Furniture and equipment	1,719,216	350,190	11,206	2,058,200
Total accumulated depreciation	<u>12,898,076</u>	<u>839,755</u>	<u>11,206</u>	<u>13,726,625</u>
Total depreciable capital assets, net	<u>13,876,001</u>	<u>(433,445)</u>	<u>114</u>	<u>13,442,442</u>
Governmental activities capital assets, net	<u>\$ 15,930,131</u>	<u>\$ (433,445)</u>	<u>\$ 114</u>	<u>\$ 15,496,572</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 767,833
Support services	42,702
Non-instructional	29,220
Total depreciation expense - Governmental activities	<u>\$ 839,755</u>

**NATCHEZ-ADAMS SCHOOL DISTRICT**

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

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Limited obligation bonds payable	\$ 4,850,000	\$ -	\$ 515,000	\$ 4,335,000	\$ 520,000
B. Certificates of participation payable	3,250,000	-	340,000	2,910,000	360,000
C. Compensated absences payable	334,956	-	2,868	332,088	20,000
Total	<u>\$ 8,434,956</u>	<u>\$ -</u>	<u>\$ 857,868</u>	<u>\$ 7,577,088</u>	<u>\$ 900,000</u>

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Refund Bond Series 2009	3.00%	04/28/2009	02/01/2018	\$ 5,102,500	\$ 4,335,000
Total				<u>\$ 5,102,500</u>	<u>\$ 4,335,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 520,000	\$ 119,805	\$ 639,805
2013	525,000	104,444	629,444
2014	545,000	88,715	633,715
2015	565,000	72,398	637,398
2016	580,000	55,566	635,566
2017 – 2021	1,600,000	58,433	1,658,433
Total	<u>\$ 4,335,000</u>	<u>\$ 499,361</u>	<u>\$ 4,834,361</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

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

**B. Certificates of participation payable**

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trust Certificates	4.90%	12/30/1997	12/30/2017	\$ 6,285,000	\$ 2,910,000
Total				<u>\$ 6,285,000</u>	<u>\$ 2,910,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 360,000	\$ 142,590	\$ 502,590
2013	375,000	124,950	499,950
2014	395,000	106,575	501,575
2015	415,000	87,220	502,220
2016	435,000	66,885	501,885
2017 - 2018	930,000	68,845	998,845
Total	<u>\$ 2,910,000</u>	<u>\$ 597,065</u>	<u>\$ 3,507,065</u>

This debt will be retired from the 1997 Trustmark Debt Service Fund.

In prior years, the Natchez-Adams School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2011, \$5,005,000 of bonds outstanding are defeased.

**C. Compensated absences payable**

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**Note 7 – Defined Benefit Pension Plan**

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$2,592,307, \$2,691,566 and \$2,563,382, respectively, which equaled the required contributions for each year.

**Note 8 – Sixteenth Section Lands**

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

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 212,715
2013	212,685
2014	146,258
2015	124,628
2016	-
Total	<u>\$ 696,286</u>

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**Note 9 – Prior Period Adjustments**

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Overstated revenues/receivable	\$ (2,418)
2. Understated expenditures	(89)
Total	<u>\$ (2,507)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Overstated revenue/receivable	\$ (2,418)
General Fund	Understated expenditures	(89)
Total		<u>\$ (2,507)</u>

**Note 10 – Contingencies**

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

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

**Note 11 – Risk Management**

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

#### Note 12 – Uncertainties

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). No division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be. The school district is also unable to calculate the amount of revenue derived from the shared townships because it has been unable to determine the location of the lieu lands. The school district is consulting legal counsel to determine the best way to proceed with resolving this matter.

Of the townships Natchez-Adams School District shares with other school districts, Natchez-Adams School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Natchez-Adams School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Natchez-Adams School District may be entitled to a portion of the sixteenth section revenues the other school district(s) received. Because none of the school districts compiled and filed lists of children as state law requires in some preceding years and because the school district is unable to determine the location of lieu lands, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

#### Note 13 – Trust Certificates

A trust agreement dated December 30, 1997, was executed by and between the School District and Trustmark National Bank of Jackson, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$6,285,000. Approximately \$6,232,948 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$52,015 was used to pay the cost of issuance.

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

on the trust certificates.

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

**Note 14 – Reclassifications**

Certain balances from the prior year have been reclassified to conform to current year reporting. In particular, \$11,637 of fund balances reported in the 2010 fiscal year as a part of the general fund were reclassified in the 2011 fiscal year as special revenue funds.

**Note 15 – Subsequent Events**

Management has evaluated subsequent events through the date of the report; the date the financial statements were available for issuance. There are no items that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

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**NATCHEZ-ADAMS SCHOOL DISTRICT**  
**Required Supplemental Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 11,836,373	\$ 11,582,323	\$ 10,983,398	\$ (274,050)	\$ (578,927)
Intermediate sources	177,726	-	-	(177,726)	-
State sources	15,409,282	15,409,282	14,081,831	-	(1,327,451)
Federal sources	375,845	375,845	691,752	-	315,907
Sixteenth section sources	-	-	-	-	-
Total Revenues	<u>27,799,226</u>	<u>27,347,450</u>	<u>25,756,979</u>	<u>(451,776)</u>	<u>(1,590,471)</u>
<b>Expenditures:</b>					
Instruction	16,506,253	16,530,987	14,189,464	(24,734)	2,341,523
Support services	12,398,978	12,262,775	11,709,807	136,203	552,968
Noninstructional services	4,197	4,197	1,340	-	2,857
Total Expenditures	<u>28,909,426</u>	<u>28,797,959</u>	<u>25,900,611</u>	<u>111,469</u>	<u>2,897,348</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,110,202)</u>	<u>(1,450,509)</u>	<u>(143,632)</u>	<u>(340,307)</u>	<u>1,306,877</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	6,235,404	6,258,196	4,513,098	22,792	(1,745,098)
Other financing sources	-	-	372	-	372
Operating transfers out	(5,140,394)	(5,154,432)	(4,409,166)	(14,038)	745,266
Other financing uses	-	(3,217)	-	(3,217)	3,217
Total Other Financing Sources (Uses)	<u>1,095,010</u>	<u>1,100,547</u>	<u>104,304</u>	<u>5,537</u>	<u>(996,243)</u>
Net Change in Fund Balances	<u>(15,192)</u>	<u>(349,962)</u>	<u>(39,326)</u>	<u>(334,770)</u>	<u>310,634</u>
<b>Fund Balances:</b>					
July 1, 2010, as originally reported	2,042,912	1,938,946	1,950,581	(103,966)	11,635
Prior period adjustments	-	-	(2,507)	-	(2,507)
Residual equity transfer	-	-	(11,637)	-	(11,637)
July 1, 2010, as restated	<u>2,042,912</u>	<u>1,938,946</u>	<u>1,936,437</u>	<u>(103,966)</u>	<u>(2,509)</u>
Increase (Decrease) in reserve for inventory	-	-	23,699	-	23,699
June 30, 2011	<u>\$ 2,027,720</u>	<u>\$ 1,588,984</u>	<u>\$ 1,920,608</u>	<u>\$ (438,736)</u>	<u>\$ 331,824</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Required Supplemental Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 148,000	\$ 645,435	\$ 635,788	\$ 497,435	\$ (9,649)
Total Revenues	<u>148,000</u>	<u>645,435</u>	<u>635,786</u>	<u>497,435</u>	<u>(9,649)</u>
<b>Expenditures:</b>					
Sixteenth Section	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>146,000</u>	<u>645,435</u>	<u>635,786</u>	<u>497,435</u>	<u>(9,649)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	470,000	470,000	470,880	-	880
Operating transfers out	(2,731,750)	(2,773,210)	(1,033,559)	(41,460)	1,739,651
Total Other Financing Sources (Uses)	<u>(2,261,750)</u>	<u>(2,303,210)</u>	<u>(562,679)</u>	<u>(41,460)</u>	<u>1,740,531</u>
Net Change in Fund Balances	<u>(2,113,750)</u>	<u>(1,657,775)</u>	<u>73,107</u>	<u>455,975</u>	<u>1,730,882</u>
<b>Fund Balances:</b>					
July 1, 2010	<u>3,299,500</u>	<u>3,887,977</u>	<u>3,867,977</u>	<u>588,477</u>	<u>-</u>
June 30, 2011	<u>\$ 1,185,750</u>	<u>\$ 2,230,202</u>	<u>\$ 3,961,084</u>	<u>\$ 1,044,452</u>	<u>\$ 1,730,882</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

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

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food Distribution	10.565	\$ 69,903
Child nutrition cluster:		
School breakfast program	10.553	538,465
National school lunch program	10.555	1,404,932
Summer food service program for children	10.559	80,621
Total child nutrition cluster		<u>2,024,018</u>
Total passed-through Mississippi Department of Education		<u>2,024,018</u>
Passed-through State of Mississippi		
Fresh fruit and vegetable program	10.582	45,971
Total passed-through State of Mississippi		<u>45,971</u>
Passed-through Adams County		
Schools and roads - grants to states	10.665	52,974
Total passed-through Adams County		<u>52,974</u>
<b>Total U.S. Department of Agriculture</b>		<u><b>2,192,866</b></u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	50,531
<b>Total U.S. Department of Defense</b>		<u><b>50,531</b></u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	587,813
<b>Total Federal Communications Commission</b>		<u><b>587,813</b></u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	72,970
Safe and drug-free schools and communities- state grants	84.186	9,181
Twenty-first century community learning centers	84.287	495,982
Reading first state grants	84.357	227,822
Rural education	84.358	94,194
Improving teacher quality-state grants	84.367	472,246
School improvement grants	84.377	35,407
ARRA - Education Jobs Fund	84.410A	708,342
Education for homeless children and youth	84.196	30,961
ARRA - Education for homeless children and youth, Recovery Act	84.387	22,209
Subtotal		<u>2,169,314</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	3,193,722
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	1,085,888
Total Title I cluster		<u>4,279,610</u>
Special education cluster:		
Special education - grants to states	84.027	933,935
Special education - preschool grants	84.173	44,522
ARRA - Special education grants to states, Recovery Act	84.391	371,106
ARRA - Special education - preschool grants, Recovery Act	84.392	25,342
Total special education cluster		<u>1,374,905</u>

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Supplemental Information**

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

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Education (continued)</u></b>		
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	948,580
Total State Fiscal Stabilization Fund cluster		<u>948,580</u>
Education technology state grants cluster		
Education technology state grants	84.318	205,987
ARRA - Education technology state grants, Recovery Act	84.386	78,107
Total Education for homeless children and youth cluster		<u>284,094</u>
Total passed-through Mississippi Department of Education		<u>9,056,503</u>
<b>Total U.S. Department of Education</b>		<b><u>9,056,503</u></b>
 Total for All Federal Awards		 <b><u>\$ 11,887,713</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.

**NATCHEZ-ADAMS SCHOOL DISTRICT**

Supplemental Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2011**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 29,033,124	21,882,217	1,669,186	2,094,941	3,386,778
Other	11,397,709	4,465,749	367,669	87,268	6,477,005
<b>Total</b>	<b>\$ 40,430,833</b>	<b>26,347,966</b>	<b>2,036,877</b>	<b>2,182,207</b>	<b>9,863,783</b>
<b>Total number of students *</b>	<b>3,615</b>				
<b>Cost per student</b>	<b>\$ 11,184</b>	<b>7,289</b>	<b>563</b>	<b>604</b>	<b>2,729</b>

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.

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

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

**Other** - includes all 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

OTHER INFORMATION

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
<b>Revenues:</b>				
Local sources	\$ 10,983,396	\$ 10,681,117	\$ 9,800,563	\$ 9,766,086
Intermediate sources	-	4,497	-	3,000
State sources	14,081,831	14,984,669	16,931,676	17,941,371
Federal sources	691,752	606,761	1,030,110	671,097
<b>Total Revenues</b>	<u>25,756,979</u>	<u>26,277,044</u>	<u>27,762,349</u>	<u>28,381,554</u>
<b>Expenditures:</b>				
Instruction	14,189,464	15,275,118	16,683,684	16,321,798
Support services	11,709,807	11,651,370	11,585,516	11,511,181
Noninstructional services	1,340	3,450	1,953	13,528
Sixteenth section	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service:				
Interest	-	970	6,812	11,588
<b>Total Expenditures</b>	<u>25,900,611</u>	<u>26,930,908</u>	<u>28,277,965</u>	<u>27,858,095</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(143,632)</u>	<u>(853,864)</u>	<u>(515,616)</u>	<u>523,459</u>
<b>Other Financing Sources (Uses):</b>				
Sale of other property	-	-	764	36,950
Operating transfers in	4,513,098	6,232,312	4,792,715	3,842,589
Other financing sources	372	-	-	-
Operating transfers out	(4,409,166)	(5,563,764)	(5,839,157)	(5,022,473)
<b>Total Other Financing Sources (Uses)</b>	<u>104,304</u>	<u>668,548</u>	<u>(1,045,678)</u>	<u>(1,142,934)</u>
<b>Net Change in Fund Balances</b>	<u>(39,328)</u>	<u>14,664</u>	<u>(1,561,294)</u>	<u>(619,475)</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	1,950,581	1,932,637	3,479,601	4,086,726
Prior period adjustments	(2,507)	-	-	-
Residual equity transfer	(11,637)	-	-	-
<b>Beginning of period, as restated</b>	<u>1,936,437</u>	<u>1,932,837</u>	<u>3,479,801</u>	<u>4,086,726</u>
Increase (Decrease) in reserve for inventory	23,699	3,060	14,202	12,550
Residual equity transfer in	-	-	128	-
<b>End of Period</b>	<u>\$ 1,920,808</u>	<u>\$ 1,950,581</u>	<u>\$ 1,932,837</u>	<u>\$ 3,479,801</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
<b>Revenues:</b>				
Local sources	\$ 11,159,038	\$ 10,920,734	\$ 10,101,183	\$ 9,988,710
Intermediate sources	172,714	463,231	336,278	230,650
State sources	16,038,955	16,530,438	18,648,420	19,508,605
Federal sources	11,950,991	10,551,301	8,002,029	8,361,017
Sixteenth section sources	1,283,327	1,078,890	961,736	1,307,887
<b>Total Revenues</b>	<u>40,605,025</u>	<u>39,544,594</u>	<u>38,049,646</u>	<u>39,396,869</u>
<b>Expenditures:</b>				
Instruction	22,408,070	22,712,269	21,816,311	21,411,121
Support services	14,582,383	14,767,842	14,150,926	14,386,577
Noninstructional services	2,257,594	2,458,393	2,282,100	2,357,576
Sixteenth section	29,732	7,577	23,456	12,021
Facilities acquisition and construction	-	286,086	237,885	67,583
Debt service:				
Principal	855,000	577,500	5,725,000	685,000
Interest	294,270	286,359	485,761	475,693
Other	3,784	3,751	47,487	3,387
<b>Total Expenditures</b>	<u>40,430,833</u>	<u>41,099,777</u>	<u>44,768,926</u>	<u>39,398,958</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>174,192</u>	<u>(1,555,183)</u>	<u>(8,719,280)</u>	<u>(2,089)</u>
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	-	-	5,102,500	-
Sale of other property	-	-	764	36,950
Operating transfers in	6,200,567	8,975,678	7,781,806	6,384,743
Other financing sources	372	-	-	-
Operating transfers out	<u>(6,200,567)</u>	<u>(8,975,678)</u>	<u>(7,781,806)</u>	<u>(6,364,743)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>372</u>	<u>-</u>	<u>5,103,264</u>	<u>36,950</u>
<b>Net Change in Fund Balances</b>	<u>174,564</u>	<u>(1,555,183)</u>	<u>(1,616,016)</u>	<u>34,861</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	25,148,719	26,699,672	28,274,488	28,228,894
Prior period adjustments	<u>(2,507)</u>	<u>63</u>	<u>-</u>	<u>-</u>
Beginning of period, as restated	<u>25,146,212</u>	<u>26,699,735</u>	<u>28,274,488</u>	<u>28,228,894</u>
<b>Increase (Decrease) in reserve for inventory</b>	<u>8,105</u>	<u>4,167</u>	<u>41,200</u>	<u>10,733</u>
<b>End of Period</b>	<u>\$ 25,328,881</u>	<u>\$ 25,148,719</u>	<u>\$ 26,899,672</u>	<u>\$ 28,274,488</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

To the Natchez-Adams School Board  
Natchez, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District, as of and for the year ended June 30, 2011, which collectively comprise the Natchez-Adams School District's basic financial statements and have issued our report thereon dated January 11, 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

In planning and performing our audit, we considered the Natchez-Adams School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Natchez-Adams School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Natchez-Adams 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 a 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 Natchez-Adams 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 management, Natchez Adams School Board, others within the entity, 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.

*The Millon Group, PLLC*

Natchez, Mississippi  
January 11, 2012

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

To the Natchez Adams School Board  
Natchez, Mississippi

Compliance

We have audited the Natchez-Adams School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Natchez-Adams School District's major federal programs for the year ended June 30, 2011. The Natchez-Adams School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Natchez-Adams School District's management. Our responsibility is to express an opinion on the Natchez-Adams 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 Natchez-Adams 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 of the Natchez-Adams School District's compliance with those requirements.

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

Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of management, School Board, others within the entity, 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.

*The Millon Group, PLLC*

Natchez, Mississippi  
February 2, 2012

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

Superintendent and School Board  
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2011, which collectively comprise Natchez-Adams School District's basic financial statements and have issued our report thereon dated January 11, 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 \$3,283 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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our findings and recommendations and your response are as follows:

Finding 11-01

The District shares townships with other districts. Section 29-3-119, Miss. Code Ann. (1972), requires that the sixteenth section revenue derived from the shared townships be divided according to the applicable percentage of educable children. Although the District prepared and

filed the lists of educable children with the Superintendent, the District has not been able to calculate the amount of revenue derived from the shared townships because it has been unable to determine the location of the lieu lands and none of the other School Districts compiled and filed lists of children as state law requires in the current year.

#### Recommendation

The District should consult legal counsel to determine the best way to proceed with determining the location of the lieu lands. Once lieu lands are identified, the District should be able to calculate the amount of revenue derived from the shared townships. Revenues can then be divided according to the applicable percentage of educable children once other School Districts comply with state law and file the appropriate lists of educable children.

#### Auditee's Response

The District has determined which townships are shared with other districts and has consulted with Board counsel. The Board counsel has been assigned the duty of identifying the lieu lands.

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

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

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

*The Millon Group, PLLC*

Natchez, Mississippi  
January 11, 2012

NATCHEZ-ADAMS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Section 1: Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Natchez-Adams School District.
2. No significant deficiencies are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to financial statements of the Natchez-Adams School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs were reported.
5. The auditors' report on compliance for the major federal award programs for the Natchez-Adams School District expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included: Title I, CFDA 84.010; Title I ARRA, CFDA 84.389; State Fiscal Stabilization Fund – Education State Grants Recovery Act, CFDA #84.394; Improving Teacher Quality State Grants, CFDA # 84.367; ARRA – Education Jobs Fund, CFDA \$84.410A; Reading First State Grants, CFDA #84.357; Special Education Cluster, CFDA #84.027, 84.173, 84.391, and 84.392; and The Schools and Libraries Program of the Universal Service Fund, CFDA 32.xxx.
8. The threshold used for distinguishing between Type A and B programs was \$356,631.
9. The Natchez-Adams School District, did not qualify as a low-risk auditee.

Section 2: Findings Relating to the Financial Statements – 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: Findings and Questioned Costs for Federal Awards – The results of our tests did not disclose any findings and questioned costs related to the federal awards.