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NETTLETON SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

Cox & Palmer
Certified Public Accountants



NETTLETON SCHOOL DISTRICT

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NETTLETON SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

NETTLETON SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Nettleton School District

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nettleton 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 November 19, 2012, on our consideration of the Nettleton 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Nettleton School District
Independent Auditor's Report

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

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

Cox & Palmer, P.A.

Cox and Palmer, P.A.
November 19, 2012

NETTLETON SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NETTLETON SCHOOL DISTRICT

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

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$1,134,439, including a prior period adjustment of \$(2,890), which represents an 18.72% increase from fiscal year 2010. Total net assets for 2010 increased \$476,076, which represents an 8.53% increase from fiscal year 2009.
- General revenues amounted to \$8,894,160 and \$8,634,798, or 76% and 77% 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 \$2,763,930, or 24% of total revenues for 2011, and \$2,650,149, or 23% of total revenues for 2010.
- The District had \$10,520,761 and \$10,808,871 in expenses for fiscal years 2011 and 2010; only \$2,763,930 for 2011 and \$2,650,149 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,894,160 for 2011 and \$8,634,798 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,641,590 in revenues and \$7,334,203 in expenditures for 2011, and \$8,287,479 in revenues and \$7,649,654 in expenditures in 2010. The General Fund's fund balance increased by \$1,153,436, including a prior period adjustment of \$(2,254), from 2010 to 2011, and increased by \$418,712, including a prior period adjustment of \$8,000, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$611,371 for 2011 and decreased by \$59,401 for 2010. The increase for 2011 was due primarily to construction in progress.
- Long-term debt, including the liability for compensated absences, increased by \$532,830 for 2011 and increased by \$2,407 for 2010. The increase for 2011 was due primarily to the issuance of \$1,000,000 in Qualified School Construction Bonds. The liability for compensated absences increased by \$7,830 for 2011 and increased by \$2,407 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$7,194,212 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.

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

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

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 5,146,663	\$ 3,561,697	44.50 %
Restricted assets	57,737	474,716	(87.84) %
Capital assets, net	3,269,964	2,658,593	23.00 %
Total assets	8,474,364	6,695,006	26.58 %
Current liabilities	206,299	94,210	118.98 %
Long-term debt outstanding	1,073,853	541,023	98.49 %
Total liabilities	1,280,152	635,233	101.52 %
Net assets:			
Invested in capital assets, net of related debt	2,269,964	2,183,593	3.96 %
Restricted	2,070,611	2,162,541	(4.25) %
Unrestricted	2,853,637	1,713,639	66.52 %
Total net assets	\$ 7,194,212	\$ 6,059,773	18.72 %

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

- Increase in current assets in the amount of \$1,584,966.
- Increase in net capital assets in the amount of \$611,371.
- The issuance of \$1,000,000 in Qualified School Construction Bonds.
- The principal retirement of \$475,000 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 \$11,658,090 and \$11,284,947, respectively. The total cost of all programs and services was \$10,520,761 for 2011 and \$10,808,871 for 2010.

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

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

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 332,808	\$ 377,791	(11.91) %
Operating grants and contributions	2,431,122	2,272,358	6.99 %
General revenues:			
Property taxes	1,372,084	1,290,780	6.30 %
Grants and contributions not restricted	7,397,976	7,167,018	3.22 %
Investment earnings	36,786	82,058	(55.17) %
Other	87,314	94,942	(8.03) %
Total revenues	11,658,090	11,284,947	3.31 %
Expenses:			
Instruction	6,377,184	6,814,332	(6.42) %
Support services	3,379,431	3,267,092	3.44 %
Non-instructional	764,104	726,947	5.11 %
Interest and other expenses on long-term liabilities	42	500	(91.60) %
Total expenses	10,520,761	10,808,871	(2.67) %
Increase (Decrease) in net assets	1,137,329	476,076	138.90 %
Net Assets, July 1, as originally reported	6,059,773	5,583,697	8.53 %
Prior Period Adjustment	(2,890)	-	N/A %
Net Assets, July 1, as restated	6,056,883	5,583,697	8.47 %
Net Assets, June 30	\$ 7,194,212	\$ 6,059,773	18.72 %

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest and other expenses 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.

NETTLETON 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	\$ 6,377,184	\$ 6,814,332	(6.42) %
Support services	3,379,431	3,267,092	3.44 %
Non-instructional	764,104	726,947	5.11 %
Interest and other expenses on long-term liabilities	42	500	(91.60) %
Total expenses	\$ 10,520,761	\$ 10,808,871	(2.67) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (4,874,681)	\$ (5,365,491)	(9.15) %
Support services	(2,882,251)	(2,791,618)	3.25 %
Non-instructional	143	(1,113)	(112.85) %
Interest and other expenses on long-term liabilities	(42)	(500)	(91.60) %
Total net (expense) revenue	\$ (7,756,831)	\$ (8,158,722)	(4.93) %

- Net cost of governmental activities (\$7,756,831 for 2011 and \$8,158,722 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$1,372,084 for 2011 and \$1,290,780 for 2010) and state and federal revenues (\$7,397,976 for 2011 and \$7,167,018 for 2010).
- Investment earnings amounted to \$36,786 for 2011 and \$82,058 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 \$4,998,101, an increase of \$1,055,898, which includes a prior period adjustment of \$(2,890) and an increase in reserve for inventory of \$7,388. \$2,894,517, or 58%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,103,584, or 42%, 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.

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,153,436, which includes a prior period adjustment of \$(2,254). The fund balance of Other Governmental Funds showed a decrease in the amount of \$418,549, which includes a prior period adjustment of \$(636) and an increase in reserve for inventory of \$7,388. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	No increase or decrease
EHA - Part B	No increase or decrease
School Building Project Fund	No increase or decrease
QSCB Capital Project Fund	\$321,011

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 funds is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$6,599,600, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$710,641 from 2010. Total accumulated depreciation as of June 30, 2011, was \$3,329,636, and total depreciation expense for the year was \$168,092, resulting in total net capital assets of \$3,269,964.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 196,899	\$ 196,899	0.00 %
Construction in Progress	678,989	-	N/A %
Buildings	1,742,772	1,807,296	(3.57) %
Improvements other than buildings	154,846	164,035	(5.60) %
Mobile equipment	364,798	450,136	(18.96) %
Furniture and equipment	131,660	40,227	227.29 %
Total	<u>\$ 3,269,964</u>	<u>\$ 2,658,593</u>	23.00 %

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

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

Debt Administration. At June 30, 2011, the District had \$1,073,853 in outstanding long-term debt, of which \$73,385 is due within one year. The liability for compensated absences increased \$7,830 from the prior year. The District issued \$1,000,000 in Qualified School construction bonds. In addition, the District made principal payments in the amount of \$475,000 on existing long-term debt.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Qualified Zone Academy Bonds Payable	\$ -	\$ 475,000	(100.00) %
Qualified school construction bonds payable	1,000,000	-	N/A %
Compensated absences payable	73,853	66,023	11.86 %
Total	<u>\$ 1,073,853</u>	<u>\$ 541,023</u>	98.49 %

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

CURRENT ISSUES

The Nettleton School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment at the end of 2011 was 1309 students, a decrease of approximately 2% from the prior year.

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 Nettleton School District, Drawer 409, Nettleton, MS 38858.

NETTLETON SCHOOL DISTRICT

FINANCIAL STATEMENTS

NETTLETON SCHOOL DISTRICT

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NETTLETON SCHOOL DISTRICT

Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,936,306
Investments	2,373,662
Due from other governments	814,206
Inventories	16,881
Prepaid items	5,608
Restricted assets	57,737
Capital assets, non-depreciable:	
Land	196,899
Construction in progress	678,989
Capital assets, net of accumulated depreciation:	
Buildings	1,742,772
Improvements other than buildings	154,846
Mobile equipment	364,798
Furniture and equipment	131,660
Total Assets	8,474,364
Liabilities	
Accounts payable and accrued liabilities	206,299
Long-term liabilities, due within one year:	
Capital related liabilities	66,000
Non-capital related liabilities	7,385
Long-term liabilities, due beyond one year:	
Capital related liabilities	934,000
Non-capital related liabilities	66,468
Total Liabilities	1,280,152
Net Assets	
Invested in capital assets, net of related debt	2,269,964
Restricted for:	
Expendable:	
School-based activities	288,337
Debt service	57,737
Capital improvements	1,701,011
Unemployment benefits	23,526
Unrestricted	2,853,637
Total Net Assets	\$ 7,194,212

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

NETTLETON SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 6,377,184	\$ 166,577	\$ 1,335,926	\$ -	\$ (4,874,681)
Support services	3,379,431	-	497,180	-	(2,882,251)
Non-instructional	764,104	166,231	598,016	-	143
Interest and other expenses on long-term liabilities	42	-	-	-	(42)
Total Governmental Activities	\$ 10,520,761	\$ 332,808	\$ 2,431,122	\$ -	\$ (7,756,831)

General Revenues:

Taxes:

General purpose levies	1,319,229
Debt purpose levies	52,855

Unrestricted grants and contributions:

State	6,525,803
Federal	872,173
Unrestricted investment earnings	36,786
Other	87,314

Total General Revenues 8,894,160

Change in Net Assets 1,137,329

Net Assets - Beginning, as originally reported 6,059,773

Prior Period Adjustments (2,890)

Net Assets - Beginning, as restated 6,056,883

Net Assets - Ending \$ 7,194,212

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

NETTLETON SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2011

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	EHA - Part B	School Building Project Fund	QSCB Capital Project Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 1,190,133	\$ -	\$ -	\$ -	\$ 463,834	\$ 338,495	\$ 1,992,462
Investments	993,662	-	-	1,380,000	-	-	2,373,662
Due from other governments	127,961	233,451	327,751	-	-	126,624	815,787
Due from other funds	661,278	-	-	-	-	4,553	665,831
Inventories	-	-	-	-	-	16,881	16,881
Prepaid items	5,608	-	-	-	-	-	5,608
Total assets	\$ 2,978,642	\$ 233,451	\$ 327,751	\$ 1,380,000	\$ 463,834	\$ 486,553	\$ 5,870,231
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 45,544	\$ -	\$ -	\$ -	\$ 142,823	\$ 17,121	\$ 205,488
Due to other funds	-	233,451	327,751	-	-	104,629	665,831
Unearned revenue	-	-	-	-	-	811	811
Total Liabilities	45,544	233,451	327,751	-	142,823	122,561	872,130
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	16,881	16,881
Prepaid items	5,608	-	-	-	-	-	5,608
Restricted:							
Debt service	-	-	-	-	-	57,737	57,737
Capital projects	-	-	-	-	321,011	-	321,011
Unemployment benefits	-	-	-	-	-	23,526	23,526
Other commitments	-	-	-	-	-	265,848	265,848
Committed:							
Capital improvements	-	-	-	1,380,000	-	-	1,380,000
Assigned:							
Other purposes	32,973	-	-	-	-	-	32,973
Unassigned	2,894,517	-	-	-	-	-	2,894,517
Total Fund Balances	2,933,098	-	-	1,380,000	321,011	363,992	4,998,101
Total Liabilities and Fund Balances	\$ 2,978,642	\$ 233,451	\$ 327,751	\$ 1,380,000	\$ 463,834	\$ 486,553	\$ 5,870,231

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

NETTLETON SCHOOL DISTRICT

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	\$	4,998,101	
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	\$	196,899	
Construction in progress		678,989	
Buildings		3,887,228	
Improvements other than buildings		229,732	
Mobile equipment		1,267,176	
Furniture and equipment		339,576	
Accumulated depreciation		<u>(3,329,636)</u>	3,269,964
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:			
Qualified School Construction Bonds		(1,000,000)	
Compensated absences		<u>(73,853)</u>	(1,073,853)
 Net assets of governmental activities	 \$	 <u><u>7,194,212</u></u>	

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

NETTLETON SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	EHA - Part B	School Building Project Fund	QSCB Capital Project Fund	Other Governmental Funds	
Revenues:							
Local sources	\$ 1,574,115	\$ -	\$ -	\$ -	\$ -	\$ 254,877	\$ 1,828,992
State sources	6,611,644	-	-	-	-	278,540	6,890,184
Federal sources	455,831	344,510	348,821	-	-	1,789,752	2,938,914
Total Revenues	8,641,590	344,510	348,821	-	-	2,323,169	11,658,090
Expenditures:							
Instruction	4,499,250	301,781	228,444	-	-	1,319,841	6,349,316
Support services	2,834,953	42,729	120,377	-	-	321,610	3,319,669
Noninstructional services	-	-	-	-	-	768,988	768,988
Facilities acquisition and construction	-	-	-	-	678,989	-	678,989
Debt service:							
Principal	-	-	-	-	-	475,000	475,000
Other	-	-	-	-	-	42	42
Total Expenditures	7,334,203	344,510	348,821	-	678,989	2,885,481	11,592,004
Excess (Deficiency) of Revenues over (under) Expenditures	1,307,387	-	-	-	(678,989)	(562,312)	66,086
Other Financing Sources (Uses):							
Proceeds of QSCB bonds	-	-	-	-	1,000,000	-	1,000,000
Payment to escrow agent	-	-	-	-	-	49,080	49,080
Payment to QZAB debt escrow agent	-	-	-	-	-	(49,080)	(49,080)
Sale of transportation equipment	3,425	-	-	-	-	-	3,425
Operating transfers in	53,579	-	-	-	-	236,097	289,676
Operating transfers out	(193,794)	-	-	-	-	(95,882)	(289,676)
Other financing uses	(14,907)	-	-	-	-	(3,204)	(18,111)
Total Other Financing Sources (Uses)	(151,697)	-	-	-	1,000,000	137,011	985,314
Net Change in Fund Balances	1,155,690	-	-	-	321,011	(425,301)	1,051,400
Fund Balances:							
July 1, 2010, as originally reported	1,779,662	-	-	1,380,000	-	782,541	3,942,203
Prior period adjustments	(2,254)	-	-	-	-	(636)	(2,890)
July 1, 2010, as restated	1,777,408	-	-	1,380,000	-	781,905	3,939,313
Increase in reserve for inventory	-	-	-	-	-	7,388	7,388
June 30, 2011	\$ 2,933,098	\$ -	\$ -	\$ 1,380,000	\$ 321,011	\$ 363,992	\$ 4,998,101

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

NETTLETON 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 \$ 1,051,400

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	\$ 800,032	
Depreciation expense	<u>(168,092)</u>	631,940

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (20,569)

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:

Issuance of Qualified School Construction Bonds	(1,000,000)	
Payments of debt principal	<u>475,000</u>	(525,000)

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	(7,830)	
Change in inventory reserve	<u>7,388</u>	<u>(442)</u>

Change in net assets of governmental activities \$ 1,137,329

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

NETTLETON SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 544,872
Total Assets	<u>\$ 544,872</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 522,355
Due to student clubs	22,517
Total Liabilities	<u>\$ 544,872</u>

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

NETTLETON 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 nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Nettleton since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

C. Government-wide and Fund Financial Statements

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

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

NETTLETON SCHOOL DISTRICT

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances 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 used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund - This is a special revenue fund that is used to account for the proceeds and expenditures of federal Title I funds for low income based school sites.

EHA - Part B Fund - This is a special revenue fund that is used to account for the resources related to the education of children with disabilities.

School Building Project Fund - This is the School District's fund for monies set aside for capital projects.

QSCB Capital Project Fund - This is a capital project fund used to account for the building projects financed with the Qualified School Construction Bonds.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing Fund - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transactions of student clubs.

NETTLETON SCHOOL DISTRICT

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

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.

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.

NETTLETON SCHOOL DISTRICT

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

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

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

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

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

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

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

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

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

NETTLETON SCHOOL DISTRICT

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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.

NETTLETON SCHOOL DISTRICT

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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.

NETTLETON SCHOOL DISTRICT

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the official approval of the commitment spread upon the School Board's minutes.

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 Business Manager pursuant to authorization established by official school board policy.

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

NETTLETON SCHOOL DISTRICT

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,366,124 (which includes \$2,373,662 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$544,872, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$ 5,347,689 was exposed to custodial credit risk.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of deposit	N/A	1 to 3	<u>\$ 2,373,662</u>
Total			<u>\$ 2,373,662</u>

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

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

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

NETTLETON SCHOOL DISTRICT

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 233,451
	EHA - Part B	327,751
	Other governmental funds	100,076
Other governmental funds	Other governmental funds	4,553
Total		<u>\$ 665,831</u>

The primary purpose of the interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year-end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 193,794
Other governmental funds	General Fund	53,579
	Other governmental funds	42,303
Total		<u>\$ 289,676</u>

Transfers were made primarily for operational purposes and to move indirect costs from other governmental funds to the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash and receivable balance, totaling \$56,156 and \$1,581, respectively, of all QSCB Bond Retirement Fund.

NETTLETON 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	Additions	Retirements	Adjustments	Balance 6/30/2011
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 196,899	\$ -	\$ -	\$ -	\$ 196,899
Construction in progress	-	678,989	-	-	678,989
Total non-depreciable capital assets	196,899	678,989	-	-	875,888
<u>Depreciable capital assets:</u>					
Buildings	3,887,228	-	-	-	3,887,228
Improvements other than buildings	229,732	-	-	-	229,732
Mobile equipment	1,332,427	-	65,251	-	1,267,176
Furniture and equipment	242,673	121,043	24,140	-	339,576
Total depreciable capital assets	5,692,060	121,043	89,391	-	5,723,712
<u>Less accumulated depreciation for:</u>					
Buildings	2,079,932	64,524	-	-	2,144,456
Improvements other than buildings	65,697	9,189	-	-	74,886
Mobile equipment	882,291	66,534	46,447	-	902,378
Furniture and equipment	202,446	27,845	22,375	-	207,916
Total accumulated depreciation	3,230,366	168,092	68,822	-	3,329,636
Total depreciable capital assets, net	2,461,694	(47,049)	20,569	-	2,394,076
Governmental activities capital assets, net	\$ 2,658,593	\$ 631,940	\$ 20,569	\$ -	\$ 3,269,964

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 22,334
Support services	138,033
Non-instructional	7,725
Total depreciation expense - Governmental activities	\$ 168,092

NETTLETON SCHOOL DISTRICT

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

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Roofing Project	\$ 678,989	\$ 56,894
Total governmental activities	<u>\$ 678,989</u>	<u>\$ 56,894</u>

Construction projects included in governmental activities are funded with the proceeds of the Qualified School Construction Bond that was issued in the amount of \$1,000,000.

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. Qualified Zone Academy bonds payable	\$ 475,000	\$ -	\$ 475,000	\$ -	-
B. Qualified School Construction bonds payable	-	1,000,000	-	1,000,000	66,000
C. Compensated absences payable	66,023	7,830	-	73,853	7,385
Total	<u>\$ 541,023</u>	<u>\$ 1,007,830</u>	<u>\$ 475,000</u>	<u>\$ 1,073,853</u>	<u>\$ 73,385</u>

A. Qualified Zone Academy bonds payable

As more fully explained in Note 12, debt had been issued by the school district that qualified as Qualified Zone Academy bonds. This debt was retired during the current fiscal year.

B. Qualified School Construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds, Series 2010	0.0%	12/7/2010	8/1/2025	\$ 1,000,000	<u>\$ 1,000,000</u>

NETTLETON SCHOOL DISTRICT

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

C. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members 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 \$ 692,981, \$ 729,085 and \$ 697,365, respectively, which equaled the required contributions for each year.

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>
An error in recording a prior year asset or liability	<u>\$ (2,890)</u>
Total	<u>\$ (2,890)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	An error in recording a prior year asset or liability	<u>\$ (2,254)</u>
Other governmental funds	An error in recording a prior year asset or liability	<u>(636)</u>
Total		<u>\$ (2,890)</u>

NETTLETON SCHOOL DISTRICT

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

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.

Note 12 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Tennessee Valley Authority (TVA), has entered into such an arrangement dated July 1, 2000.

On June 13, 2000, the Nettleton School District board of trustees adopted a resolution authorizing the issuance of a four hundred and seventy-five thousand dollar (\$475,000) limited-tax note of the district designating the note to be a Qualified Zone Academy Bond (the "note") and awarding the sale of the note to the purchaser. The note resolution also authorized the superintendent, board president and secretary to execute all documents necessary to affect the issuance of the note.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement required the school district to deposit funds annually into a sinking fund account on or before July 1. This debt was retired during the current fiscal year.

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. No amounts were on deposit at June 30, 2011, in the sinking fund. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

NETTLETON SCHOOL DISTRICT

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

Year Ending June 30		Amount
2012	\$	66,667
2013		66,667
2014		66,667
2015		66,667
2016		66,667
2017 – 2021		333,333
2022 - 2025		333,332
Total	\$	<u>1,000,000</u>

NETTLETON SCHOOL DISTRICT

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NETTLETON SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

NETTLETON SCHOOL DISTRICT

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NETTLETON 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
Revenues:					
Local sources	\$ 1,624,475	\$ 1,618,474	\$ 1,574,115	\$ (6,001)	\$ (44,359)
State sources	6,155,029	6,604,920	6,611,644	449,891	6,724
Federal sources	62,000	455,831	455,831	393,831	-
Total Revenues	7,841,504	8,679,225	8,641,590	837,721	(37,635)
Expenditures:					
Instruction	4,910,613	4,510,150	4,499,250	400,463	10,900
Support services	2,758,608	2,854,233	2,834,953	(95,625)	19,280
Noninstructional services	2,000	-	-	2,000	-
Total Expenditures	7,671,221	7,364,383	7,334,203	306,838	30,180
Excess (Deficiency) of Revenues over (under) Expenditures	170,283	1,314,842	1,307,387	1,144,559	(7,455)
Other Financing Sources (Uses):					
Sale of transportation equipment	-	3,425	3,425	3,425	-
Operating transfers in	868,081	1,202,495	53,579	334,414	(1,148,916)
Operating transfers out	(1,035,388)	(1,402,710)	(193,794)	(367,322)	1,208,916
Other financing uses		(14,907)	(14,907)	(14,907)	-
Total Other Financing Sources (Uses)	(167,307)	(211,697)	(151,697)	(44,390)	60,000
Net Change in Fund Balances	2,976	1,103,145	1,155,690	1,100,169	52,545
Fund Balances:					
July 1, 2010, as originally reported	1,500,000	1,779,662	1,779,662	279,662	-
Prior period adjustments	-	(2,254)	(2,254)	(2,254)	-
July 1, 2010, as restated	1,500,000	1,777,408	1,777,408	277,408	-
June 30, 2011	\$ 1,502,976	\$ 2,880,553	\$ 2,933,098	\$ 1,377,577	\$ 52,545

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

NETTLETON SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 241,212	\$ 344,510	\$ 344,510	\$ 103,298	\$ -
Total Revenues	241,212	344,510	344,510	103,298	-
Expenditures:					
Instruction	209,522	301,781	301,781	(92,259)	-
Support services	29,190	43,482	42,729	(14,292)	753
Total Expenditures	238,712	345,263	344,510	(106,551)	753
Excess (Deficiency) of Revenues over (under) Expenditures	2,500	(753)	-	(3,253)	753
Other Financing Sources (Uses):					
Operating transfers out	(2,500)	-	-	2,500	-
Total Other Financing Sources (Uses)	(2,500)	-	-	2,500	-
Net Change in Fund Balances	-	(753)	-	(753)	753
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ -	\$ (753)	\$ -	\$ (753)	\$ 753

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

NETTLETON SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
EHA - Part B
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 226,928	\$ 348,821	\$ 348,821	\$ 121,893	\$ -
Total Revenues	226,928	348,821	348,821	121,893	-
Expenditures:					
Instruction	100,930	228,444	228,444	(127,514)	-
Support services	123,498	120,377	120,377	3,121	-
Total Expenditures	224,428	348,821	348,821	(124,393)	-
Excess (Deficiency) of Revenues over (under) Expenditures	2,500	-	-	(2,500)	-
Other Financing Sources (Uses):					
Operating transfers out	(2,500)	-	-	2,500	-
Total Other Financing Sources (Uses)	(2,500)	-	-	2,500	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ -	\$ -	\$ -	\$ -	\$ -

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

NETTLETON 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.

NETTLETON SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

NETTLETON SCHOOL DISTRICT

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NETTLETON SCHOOL DISTRICT

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
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 148,201
National school lunch program	10.555	490,330
Summer food service program for children	10.559	11,883
Total child nutrition cluster		<u>650,414</u>
Total passed-through Mississippi Department of Education		<u>650,414</u>
Total U.S. Department of Agriculture		<u>650,414</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	284,166
Total Federal Communications Commission		<u>284,166</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	6,167
Safe and drug-free schools and communities- state grants	84.186	1,407
Education technology state grants	84.318	3,289
Rural education	84.358	71,203
Improving teacher quality - state grants	84.367	84,564
School improvement grants	84.377	10,868
ARRA - Education technology - state grants, Recovery Act	84.386	1,278
ARRA - Education jobs fund, Recovery Act	84.410	310,899
Subtotal		<u>489,675</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	507,024
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	37,234
Total Title I cluster		<u>544,258</u>
Special education cluster:		
Special education - grants to states	84.027	348,821
Special education - preschool grants	84.173	4,526
ARRA - Special education grants to states, Recovery Act	84.391	54,772
ARRA - Special education - preschool grants, Recovery Act	84.392	1,003
Total special education cluster		<u>409,122</u>
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	416,342
Total State Fiscal Stabilization Fund cluster		<u>416,342</u>
Total passed-through Mississippi Department of Education		<u>1,859,397</u>
Total U.S. Department of Education		<u>1,859,397</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	89,337
Total passed-through Mississippi Department of Education		<u>89,337</u>
Total U.S. Department of Health and Human Services		<u>89,337</u>
Total for All Federal Awards		<u>\$ 2,883,314</u>

NOTES TO SCHEDULE

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

NETTLETON 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	\$ 8,029,087	6,225,219	462,907	539,913	801,048
Other	3,562,917	808,478	118,336	2,468	2,633,635
Total	\$ 11,592,004	7,033,697	581,243	542,381	3,434,683
 Total number of students *	 1,309				
 Cost per student	 \$ 8,856	 5,374	 444	 414	 2,624

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

NETTLETON SCHOOL DISTRICT

OTHER INFORMATION

NETTLETON SCHOOL DISTRICT

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NETTLETON SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 1,574,115	\$ 1,552,847	\$ 1,565,578	\$ 1,571,451
State sources	6,611,644	6,623,558	7,147,732	7,194,870
Federal sources	455,831	111,074	118,220	172,186
Total Revenues	8,641,590	8,287,479	8,831,530	8,938,507
Expenditures:				
Instruction	4,499,250	5,001,622	5,858,921	6,113,300
Support services	2,834,953	2,646,085	2,774,202	2,774,037
Noninstructional services	-	1,947	-	-
Total Expenditures	7,334,203	7,649,654	8,633,123	8,887,337
 Excess (Deficiency) of Revenues over (under) Expenditures	 1,307,387	 637,825	 198,407	 51,170
Other Financing Sources (Uses):				
Insurance recovery	-	630	-	-
Sale of transportation equipment	3,425	-	1,356	-
Sale of other property	-	1,011	4,895	6,081
Operating transfers in	53,579	359	67,691	6,775
Operating transfers out	(193,794)	(229,113)	(181,396)	(168,275)
Other financing uses	(14,907)	-	-	-
Total Other Financing Sources (Uses)	(151,697)	(227,113)	(107,454)	(155,419)
 Net Change in Fund Balances	 1,155,690	 410,712	 90,953	 (104,249)
Fund Balances:				
Beginning of period, as originally reported	1,779,662	1,360,950	1,269,997	1,374,246
Prior period adjustments	(2,254)	8,000		
Beginning of period, as restated	1,777,408	1,368,950	1,269,997	1,374,246
 End of Period	 \$ 2,933,098	 \$ 1,779,662	 \$ 1,360,950	 \$ 1,269,997

*SOURCE - PRIOR YEAR AUDIT REPORTS

NETTLETON SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 1,828,992	\$ 1,844,937	\$ 1,853,135	\$ 1,847,227
State sources	6,890,184	6,849,324	7,376,523	7,535,609
Federal sources	2,938,914	2,590,056	1,508,395	1,504,370
Total Revenues	11,658,090	11,284,317	10,738,053	10,887,206
Expenditures:				
Instruction	6,349,316	6,877,954	6,715,926	7,094,253
Support services	3,319,669	3,142,091	3,217,365	3,169,411
Noninstructional services	768,988	711,335	718,940	711,684
Facilities acquisition and construction	678,989	-	-	-
Debt service:				
Principal	475,000	-	-	-
Other	42	500	500	-
Total Expenditures	11,592,004	10,731,880	10,652,731	10,975,348
Excess (Deficiency) of Revenues over (under) Expenditures	66,086	552,437	85,322	(88,142)
Other Financing Sources (Uses):				
Proceeds of QSCB bonds	1,000,000	-	-	-
Insurance recovery	-	630	-	-
Payment to escrow agent	49,080	-	-	-
Payment to QZAB debt escrow agent	(49,080)	-	-	-
Sale of transportation equipment	3,425	-	1,356	-
Sale of other property	-	1,011	4,895	6,081
Operating transfers in	289,676	239,731	252,685	181,524
Operating transfers out	(289,676)	(239,731)	(252,685)	(181,524)
Other financing uses	(18,111)	(3,771)	-	-
Total Other Financing Sources (Uses)	985,314	(2,130)	6,251	6,081
Net Change in Fund Balances	1,051,400	550,307	91,573	(82,061)
Fund Balances:				
Beginning of period, as originally reported	3,942,203	3,404,319	3,300,682	3,386,506
Prior period adjustments	(2,890)	-	-	-
Beginning of period, as restated	3,939,313	3,404,319	3,300,682	3,386,506
Increase (Decrease) in reserve for inventory	7,388	(12,423)	12,064	(3,763)
End of Period	\$ 4,998,101	\$ 3,942,203	\$ 3,404,319	\$ 3,300,682

*SOURCE - PRIOR YEAR AUDIT REPORTS

NETTLETON SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

NETTLETON SCHOOL DISTRICT

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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*

Superintendent and School Board
Nettleton School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Nettleton School District as of and for the year ended June 30, 2011, which collectively comprise Nettleton School District's basic financial statements and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. (Finding 2011-01).

Compliance and Other Matters

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

MEMBER

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Nettleton School District
Report on Internal Control and Compliance

However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated November 19, 2012, which is included in this report.

Nettleton School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit the district's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the district's 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.

Cox & Palmer, P.A.

Cox and Palmer, P.A.
November 19, 2012

COX AND PALMER, P.A.
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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

Superintendent and School Board
Nettleton School District

Compliance

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

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

In our opinion, Nettleton 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 Nettleton 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 Nettleton School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

MEMBER

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Nettleton School District
Report on Compliance and Internal Controls

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

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

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

Cox & Palmer, P.A.

Cox and Palmer, P.A.
November 19, 2012

NETTLETON SCHOOL DISTRICT

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

NETTLETON SCHOOL DISTRICT

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

Superintendent and School Board
Nettleton School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nettleton School District as of and for the year ended June 30, 2011, which collectively comprise Nettleton School District's basic financial statements and have issued our report thereon dated November 19, 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 \$3,889 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 finding and recommendation and your response is as follows:

Finding

On May 16, 2011 a purchase order was issued to Little Reds Small Engines in the amount of \$5,928.23 for an Ex Mark Mower. It was indicated that this mower was on state contract pricing. However, at the time the purchase order was issued documentation was not on file to support state contract pricing.

Recommendation

State purchasing laws should be followed.

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Nettleton School District
Report on Compliance with State Laws and Regulations

School District's Response

The school district has met with all personnel involved. State purchasing laws will be followed.

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

The Nettleton 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.

Cox & Palmer, P.A.

Cox and Palmer, P.A.
November 19, 2012

NETTLETON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NETTLETON SCHOOL DISTRICT

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NETTLETON SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|----------------------|
| 1. | Type of auditor's report issued: | <u>Unqualified</u> |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | <u>Yes</u> |
| | b. Significant deficiencies identified? | <u>None reported</u> |
| 3. | Noncompliance material to financial statements noted? | <u>No</u> |

Federal Awards:

- | | | |
|----|--|----------------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | <u>No</u> |
| | b. Significant deficiencies identified? | <u>None reported</u> |
| 5. | Type of auditor's report issued on compliance for major programs: | <u>Unqualified</u> |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | <u>No</u> |
| 7. | Identification of major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
32.xxx	The Schools and Libraries Program of the Universal Service Fund
84.394	ARRA – State Stabilization Fund- Education State Grants, Recovery Act
84.410	ARRA – Education Jobs Fund, Recovery Act

- | | | |
|----|--|------------------|
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| 9. | Auditee qualified as low-risk auditee? | <u>No</u> |

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

Section II: Financial Statement Findings

Significant deficiency identified that is considered to be a material weakness.

2011-01

Finding

Proper year-end closing procedures were not followed in recording accrued payroll, donated commodities and prepaid expenses. Failure to properly close the books and make the necessary adjusting entries could lead to materially misstated financial statements.

The cause of this condition was from not properly agreeing year-end closing entries to the underlying documentation.

This was a finding in the prior fiscal year.

Recommendation

Proper year-end procedures should be followed.

Section III: Federal Award Findings and Questioned Costs

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

NETTLETON SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

NETTLETON SCHOOL DISTRICT

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NETTLETON SCHOOL DISTRICT

Drawer 409, 179 Mullen Ave.
Nettleton, MS 38858

Financial & Compliance Audit Division

As required by Section ____.315(c) of OMB Circular A-133, the Nettleton School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011.

<u>Finding</u>	<u>Correction Action Plan Details</u>
----------------	---------------------------------------

2011-01

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Sheila Miller
Title: Business Manager
Phone: 662-963-2151

b. Corrective Action Planned:

Proper year-end procedures will be followed.

c. Anticipated Completion Date:

Immediate

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

<u>Finding</u>	<u>Corrective Action Taken</u>
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2010-01

Repeat finding.

NETTLETON SCHOOL DISTRICT

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