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OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2011

Bridgers & Company, P.C.
Certified Public Accountants
Vicksburg, Mississippi

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	2
MANAGEMENT DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	14
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Assets and Liabilities	21
Notes to Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	40
Budgetary Comparison Schedule - General Fund	41
Budgetary Comparison Schedule - School Lunchroom Fund	42
Budgetary Comparison Schedule -Title IA Fund	43
Notes to the Required Supplementary Information	44
SUPPLEMENTAL INFORMATION	46
Schedule of Expenditures of Federal Awards	47
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	49

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

TABLE OF CONTENTS

OTHER INFORMATION	50
Statement of Revenues, Expenditures and Changes in Fund Balance	
General Fund - Last Four Years	51
All Governmental Funds - Last Four Years	52
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	53
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	54
Independent Auditor's Report on Compliance with Requirements That Could Have A Direct And Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133	56
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	58
Independent Auditor's Report on Compliance with State Laws and Regulations	59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	60

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

Financial Audit Report



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

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

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

Superintendent and School Board
Okolona Municipal Separate School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Okolona Municipal Separate School District as of and for the year ended June 30, 2011, which collectively comprise the Okolona Municipal Separate School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Okolona Municipal Separate 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 disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Okolona Municipal Separate 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 August 6, 2012, on our consideration of the Okolona Municipal Separate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Okolona Municipal Separate 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 Okolona Municipal Separate 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 financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bridgers & Company, P.C.
Bridgers & Company, P.C.
Vicksburg, Mississippi
August 6, 2012

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

Total net assets for 2011 increased by \$316,608, including a prior period adjustment of \$50,111, which represents a 42% increase from fiscal year 2010. Total net assets for 2010 decreased \$331,093, including a prior period adjustment of (\$5,945), which represents a 30% decrease from fiscal year 2009.

General revenues amounted to \$4,566,348 and \$4,721,305, or 60% and 67% of all revenues for the fiscal years 2011 and 2010 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,047,752, or 40% of total revenues for 2011, and \$2,339,852, or 33% of total revenues for 2010.

The District had \$7,347,603 and \$7,386,305 in expenses for fiscal years 2011 and 2010; only \$3,047,752 for 2011 and \$2,339,852 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$4,566,348 for 2011 and \$4,721,305 for 2010 were adequate for 2011 and were not adequate in 2010 to provide for these programs.

Among major funds, the General Fund had \$4,306,411 in revenues and \$4,300,995 in expenditures for 2011, and \$4,241,780 in revenues and \$4,767,691 in expenditures for 2010. The General Fund's fund balance decreased by \$48,150 from 2010 to 2011, and increased by \$86,853 from 2009 to 2010.

Capital assets, net of accumulated depreciation, decreased by \$13,758 for 2011 and increased by \$16,478 for 2010. The decrease for 2011 was due primarily to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.

Long-term debt decreased by \$287,247 for 2011 and increased by \$431,064 for 2010. These decreases were due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$51,232 for 2011 and increased by \$50,876 for 2010.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide financial statements

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

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

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

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

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

Fund financial statements.

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of government's financial position. Assets exceeded liabilities by \$1,078,408 as of June 30, 2011.

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

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

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 944,212	1,087,034	-13.14%
Restricted assets	172,411	123,459	39.65%
Capital assets, net	2,954,691	2,968,449	-0.46%
Total assets	<u>4,071,314</u>	<u>4,178,942</u>	-2.58%
Current liabilities	422,903	508,660	-16.86%
Long-term debt outstanding	2,570,003	2,908,482	-11.64%
Total liabilities	<u>2,992,906</u>	<u>3,417,142</u>	-12.41%
Net assets:			
Invested in capital assets, net of related debt	1,791,436	1,669,198	7.32%
Restricted	503,889	463,453	8.72%
Unrestricted	(1,216,917)	(1,370,851)	-11.23%
Total net assets	<u>\$ 1,078,408</u>	<u>761,800</u>	41.56%

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

Decrease in current liabilities in the amount of \$85,757.

The principal retirement of long-term debt in the amount of \$287,247.

Change in net assets

The District's total revenues for the fiscal year ended June 30, 2011 and June 30, 2010, were \$7,614,100 and \$7,061,157, respectively. The total cost of all programs and services was \$7,347,603 for 2011 and \$7,386,305 for 2010.

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

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

Table 2
Changes in Net Assets

Revenues:	Year Ended <u>June 30, 2011</u>	Year Ended <u>June 30, 2010</u>	Percentage <u>Change</u>
Program revenues			
Charges for services	\$ 113,148	102,204	10.71%
Operating grants and contributions	2,934,604	2,203,649	33.17%
Capital grants and contributions	0	33,999	-100.00%
General revenues:			
Property taxes	1,118,497	1,037,062	7.85%
Grants and contributions not restricted	3,401,029	3,615,392	-5.93%
Investment earnings	25,067	16,985	47.58%
Other	21,755	51,866	-58.06%
Total revenues	<u>7,614,100</u>	<u>7,061,157</u>	7.83%
Expenses:			
Instruction	4,086,166	4,279,437	-4.52%
Support services	2,700,423	2,596,478	4.00%
Non-instructional	500,466	401,097	24.77%
Interest on long-term liabilities	60,548	109,293	-44.60%
Total expenses	<u>7,347,603</u>	<u>7,386,305</u>	-0.52%
Increase (decrease) in net assets	<u>266,497</u>	<u>(325,148)</u>	-181.96%
Net Assets, July 1	<u>761,800</u>	<u>1,092,893</u>	-30.30%
Prior Period Adjustment	<u>50,111</u>	<u>(5,945)</u>	-942.91%
Net Assets Restated, July 1	<u>811,911</u>	<u>1,086,948</u>	-25.30%
Net Assets, June 30	<u>\$ 1,078,408</u>	<u>761,800</u>	41.56%

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2011	2010	
Instruction	\$ 4,086,166	4,279,437	-4.52%
Support services	2,700,423	2,596,478	4.00%
Non-instructional	500,466	401,097	24.77%
Interest on long-term liabilities	60,548	109,293	-44.60%
Total expenses	\$ 7,347,603	7,386,305	-0.52%

	<u>Net (Expense) Revenue</u>		Change
	2011	2010	
Instruction	\$ (2,337,645)	(3,075,887)	-24.00%
Support services	(1,961,451)	(1,925,667)	1.86%
Non-instructional	59,793	64,394	-7.15%
Interest on long-term liabilities	(60,548)	(109,293)	-44.60%
Total net (expense) revenue	\$ (4,299,851)	(5,046,453)	-14.79%

The net cost of governmental activities, (\$4,299,851 for 2011 and \$5,046,453 for 2010), was financed by general revenue, which is made up of primarily property taxes of (\$1,118,497 for 2011 and \$1,037,062 for 2010) and state and federal revenues of (\$3,401,029 for 2011 and \$3,615,392 for 2010).

Investment earnings amounted to \$25,067 for 2011 and \$16,985 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, unreserved 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 \$713,022, a decrease of \$13,254, which includes a increase in reserve for inventory of \$720. \$155,144, or 22%, 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 \$557,878, or 78%, 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.

**OKOLONA MUNICIPAL SEPARATE 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 decrease in fund balance in the General Fund for the fiscal year was \$48,150. The fund balance of Other Governmental Funds showed a decrease in the amount of \$32,353.

The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Lunchroom Fund	\$ 63,404
Title IA Fund	\$ (6,107)
MAEP Bond Fund	\$ 9,952

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from local sources in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for expenses in the General Fund were increased during the year. Amounts originally budgeted were understated.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funds were revised during the fiscal year to reflect actual revenue received and expenditures incurred during the fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$5,687,538 including , land, school buildings, buses, other school vehicles, mobile equipment and furniture and equipment. This amount represents a gross increase of \$65,060 from 2010. Total accumulated depreciation as of June 30, 2011 was \$2,732,847, and total depreciation expense for the year was \$143,960, resulting in total net capital assets of \$2,954,691.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 77,760	77,760	0.00%
Buildings	2,563,158	2,629,270	-2.51%
Mobile equipment	205,328	186,684	9.99%
Furniture and equipment	108,445	74,735	45.11%
 Total	 \$ <u>2,954,691</u>	 <u>2,968,449</u>	 -0.46%

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

**OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Debt Administration. At June 30, 2011, the District had \$2,570,003 in outstanding long-term debt of which \$335,229 is due within one year. During the fiscal year, the district made principal payments in the amount of \$338,479 on existing long-term debt. The liability for compensated absences decreased \$51,232 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	950,000	1,065,000	-10.80%
Shortfall notes payable	108,815	213,311	-48.99%
Obligations under capital leases	198,000	234,251	-15.48%
Qualified zone academy bonds payable	500,000	500,000	0.00%
Other loans payable	772,000	803,500	-3.92%
Compensated absences payable	41,188	92,420	-55.43%
Total	\$ <u>2,570,003</u>	<u>2,908,482</u>	-11.64%

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

CURRENT ISSUES

On February 19, 2010, the State Board of Education approved the appointment of a conservator for the Okolona Municipal Separate School District. On February 24, 2010, the Governor of the State of Mississippi declared that the Okolona Municipal Separate School District was in a state of emergency due both academic and financial impairments. The conservator will periodically report to the State Board of Education on the progress made in the district to improve the district's impairments during the state of emergency.

The personnel of the Okolona Municipal Separate School District are committed to clearing the academic and financial impairments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Okolona Municipal Separate School District, P. O. Box 510, Okolona, MS 38860.

OKOLONA MUNICIPAL SCHOOL DISTRICT

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OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

FINANCIAL STATEMENTS

Okolona Municipal Separate School District

Statement of Net Assets

Exhibit A

June 30, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 686,800
Investments	37,000
Due from other governments	208,764
Inventories	11,648
Restricted assets	172,411
Capital assets, non-depreciable:	
Land	77,760
Capital assets, net of accumulated depreciation:	
Buildings	2,563,158
Mobile equipment	205,328
Furniture and equipment	108,445
Total Assets	<u><u>4,071,314</u></u>
Liabilities	
Accounts payable and accrued liabilities	214,540
Due to other governments	164,862
Unearned revenue	22,431
Interest payable on long-term liabilities	19,302
Other payables	1,768
Long-term liabilities, due within one year:	
Capital related liabilities	249,275
Non-capital related liabilities	85,954
Long-term liabilities, due beyond one year:	
Capital related liabilities	913,980
Non-capital related liabilities	1,320,794
Total Liabilities	<u><u>2,992,906</u></u>
Net Assets	
Invested in capital assets, net of related debt	1,791,436
Restricted for:	
Expendable:	
School based activities	237,064
Debt service	238,537
Unemployment benefits	2,346
Non-expendable:	
Sixteenth section	25,942
Unrestricted	(1,216,917)
Total Net Assets	<u><u>\$ 1,078,408</u></u>

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

Okolona Municipal School District
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
					Total
Governmental Activities:					
Instruction	\$ 4,086,166	87,453	1,661,068		(2,337,645)
Support services	2,700,423		738,972		(1,961,451)
Noninstructional services	500,466	25,695	534,564		59,793
Interest on long-term liabilities	60,548				(60,548)
Total governmental activities	\$ 7,347,603	113,148	2,934,604		(4,299,851)

General Revenues:

Taxes:

Property taxes - general purposes levies	\$ 972,705
Debt purpose levies	145,792

Unrestricted grants and contributions:

State	3,132,688
Federal	268,341
Unrestricted investment earnings	25,067
Other	21,755

Total General Revenues 4,566,348

Change in Net Assets 266,497

Net Assets - Beginning, as originally reported 761,800
Prior period adjustments 50,111

Net Assets - Beginning, as restated 811,911

Net Assets - Ending \$ 1,078,408

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

Okolona Municipal Separate School District
 Balance Sheet - Governmental Funds
 June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	School Lunchroom Fund	Title IA Fund	MAEP Bond Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 380,670	140,815	25,375	54,737	142,678	744,275
Investments	9,000				142,936	151,936
Due from other governments	104,177			81,606	22,981	208,764
Due from other funds	7,806	1,090				8,896
Inventories		11,648				11,648
Total Assets	501,653	153,553	25,375	136,343	308,595	1,125,519
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	211,455	469			2,616	214,540
Due to other funds	100,367		22,072		51,319	173,758
Unearned revenue			3,303		19,128	22,431
Other payables					1,768	1,768
Total Liabilities	311,822	469	25,375	0	74,831	412,497
Fund Balances:						
Nonspendable:						
Inventory		11,648				11,648
Permanent fund principal					25,942	25,942
Restricted:						
Debt service				136,343	121,496	257,839
Unemployment benefits					2,346	2,346
Committed:						
Other purposes - program operations		141,436			83,980	225,416
Assigned:						
Other purposes - special projects	34,687					34,687
Unassigned	155,144					155,144
Total Fund Balances	189,831	153,084	0	136,343	233,764	713,022
Total Liabilities and Fund Balance	\$ 501,653	153,553	25,375	136,343	308,595	1,125,519

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

Okolona Municipal Separate School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 June 30, 2011

Exhibit C-1

	<u>Amount</u>
Total fund balances - governmental funds	\$ 713,022

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

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

Land	\$ 77,760	
Buildings	4,562,108	
Mobile equipment	627,949	
Furniture and equipment	419,721	
Accumulated depreciation	<u>(2,732,847)</u>	2,954,691

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

State Aid Capital Improvement Bonds payable	\$ (950,000)	
QZAB Bonds payable	(500,000)	
Shortfall Notes payable	(108,815)	
Notes payable	(772,000)	
Capital leases payable	(198,000)	
Compensated absences payable	(41,188)	
Accrued interest payable	<u>(19,302)</u>	(2,589,305)

Net Assets of Governmental Activities	\$ <u><u>1,078,408</u></u>
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The notes to the financial statements are an integral part of this statement.

Okolona Municipal Separate School District
 Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds
 For the Year Ended June 30, 2011

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	School Lunchroom Fund	Title IA Fund	MAEP Bond Fund	Other Governmental Funds	
REVENUES						
Local sources	\$ 1,087,015	30,582		5	176,160	1,293,762
State sources	3,143,322	4,567		163,212	242,035	3,553,136
Federal sources	76,074	460,809	601,900		1,643,714	2,782,497
Total Revenues	4,306,411	495,958	601,900	163,217	2,061,909	7,629,395
EXPENDITURES						
Instruction	2,332,132		231,279		1,506,205	4,069,616
Support services	1,938,804	20,247	317,514		448,048	2,724,613
Noninstructional services		393,875	61,140		34,628	489,593
Debt Service:						
Principal	21,859	14,392		115,000	135,996	287,247
Interest	8,200	4,810		35,600	17,079	65,689
Other				2,665	3,946	6,611
Total Expenditures	4,300,995	433,274	609,933	153,265	2,145,902	7,643,369
Excess (Deficiency) of Revenues over (Under) Expenditures	5,416	62,684	(8,033)	9,952	(83,993)	(13,974)
OTHER FINANCING SOURCES (USES)						
Insurance loss recoveries						
Transfers In	25,793		1,926		79,359	107,078
Transfers out	(79,359)				(27,719)	(107,078)
Total Other Financing Sources (Uses)	(53,566)	0	1,926	0	\$1,640	0
Net Change in Fund Balances	(48,150)	62,684	(6,107)	9,952	(82,353)	(13,974)
Fund Balances:						
July 1, 2010	237,981	89,680	6,107	126,391	266,117	726,276
Increase (decrease) in reserve for inventory		720				720
June 30, 2011	\$ 189,831	153,084	0	136,343	233,764	713,022

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

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

Exhibit D-1

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ (13,974)

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

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

Capital outlay	\$ 89,495	
Depreciation expense	<u>(143,960)</u>	(54,465)

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

(9,404)

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

Payments of debt principal	287,247	
Accrued interest payable	<u>5,141</u>	292,388

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	51,232	
Change in inventory reserve	<u>720</u>	51,952

Change in net assets of governmental activities	\$ <u><u>266,497</u></u>
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The notes to the financial statements are an integral part of this statement.

Okolona Municipal Separate School District
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 5,852
Due from other funds	<u>164,862</u>
Total Assets	<u><u>170,714</u></u>
Liabilities	
Accounts payable and accrued liabilities	<u>170,714</u>
Total Liabilities	<u>\$ <u>170,714</u></u>

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

(1) **Summary of Significant Accounting Policies.**

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

A. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government". On February 24, 2010, the Governor declared the school district in a state of emergency. A conservator, approved by the State Department of Education, will operate the District as long as the District remains in a state of emergency condition.

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

C. Government-wide and Fund Financial Statements

Government - Wide Financial Statements:

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

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

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

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

Fund Financial Statements :

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

The school district reports the following major governmental funds:

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

School Lunchroom Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred for the activity related to child nutrition.

Title 1A Fund - This is a special revenue fund used to account for federal sources received and expenditures incurred to assist in the instruction of students from families that live in poverty.

MAEP Bond Fund - This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs of, the refunding limited obligation bonds.

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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 District's fiduciary funds include fourteen (14) agency funds, which are used to report resources held by the District in a purely custodial capacity.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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

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

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

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

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

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

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

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

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

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

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

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

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

E. Encumbrances

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

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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 any other type Investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables.

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

3. Due from Other Governments.

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

4. Inventories and prepaid items.

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

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

**Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

5. Restricted Assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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.

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

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

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

(*) 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).

**Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011**

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

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

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

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

9. Fund Balances

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

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

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

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

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

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

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

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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 use unassigned amounts.

(2) **Cash and Cash Equivalents**

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

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

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 State 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 State 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 \$744,275 and \$5,852, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$686,800 reported as cash and equivalents and \$54,475 reported as restricted assets (See Note 4).

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.

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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 \$1,082,014 was exposed to custodial credit risk.

Investments

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

Investment Type	Maturities (in years)	Fair Value	Rating
U.S. Government Securities	More than 10	\$ 126,936	AA
Certificate of Deposit		<u>25,000</u>	no rating
		<u>\$ 151,936</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.

(3) Inter-fund Receivables, Payables and Transfers

The following is a summary of interfund transactions and balances.

A. Due From / To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 7,806
School Lunchroom Fund	Other governmental funds	1,090
Fiduciary Funds	General Fund	100,367
Fiduciary Funds	Title IA Fund	22,072
Fiduciary Funds	Other governmental funds	42,423
		<u>\$ 173,758</u>

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

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

B. Inter-fund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 79,359
Other governmental funds	General Fund	25,793
	Title IA Fund	1,926
Total		\$ 107,078

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer

(4) Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$1,345, and \$25,000, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash and investment balance, totaling \$ 1,393 and \$ 89,936, respectively, of the QZAB Bond Retirement Fund.

In addition, the restricted assets represent the cash balance, totaling \$ 54,737, of the MAEP Limited Obligation Bond/Note Fund.

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

(5) Capital Assets.

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

Governmental Activities:	Balance 7-1-2010	Increases	Decreases	Adjustments	Balance 6-30-2011
<u>Non-depreciable capital assets:</u>					
Land	77,760				77,760
	<u>77,760</u>	0		0	<u>77,760</u>
<u>Depreciable Capital Assets</u>					
Buildings	4,562,108				4,562,108
Mobile equipment	648,096	82,000	87,848	(14,299)	627,949
Furniture and equipment	334,514	7,495	11,873	89,585	419,721
Total depreciable capital Assets	<u>5,544,718</u>	<u>89,495</u>	<u>99,721</u>	<u>75,286</u>	<u>5,609,778</u>
<u>Less accumulated depreciation:</u>					
Buildings	1,932,838	66,112			1,998,950
Mobile equipment	461,412	49,210	78,563	(9,438)	422,621
Furniture & equipment	259,779	28,638	11,754	34,613	311,276
Total accumulated depreciation	<u>2,654,029</u>	<u>143,960</u>	<u>90,317</u>	<u>25,175</u>	<u>2,732,847</u>
Total depreciable capital assets, net	<u>2,890,689</u>	<u>(54,465)</u>	<u>9,404</u>	<u>50,111</u>	<u>2,876,931</u>
Governmental activities capital assets, net	<u>2,968,449</u>	<u>(54,465)</u>	<u>9,404</u>	<u>50,111</u>	<u>2,954,691</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 100,772
Support services	28,792
Non-instructional services	14,396
Total depreciation expense - Governmental	<u>\$ 143,960</u>

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

(6) Long - term liabilities.

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

	Balance 07-01-2010	Additions	Reductions	Balance 06-30-2011	Amount due within one Year
A. Limited obligation bonds payable	\$ 1,065,000		115,000	950,000	120,000
B. Shortfall notes payable	213,311		104,496	108,815	53,454
C. Obligations under capital lease	234,251		36,251	198,000	129,275
D. Qualified zone academy bonds payable	500,000			500,000	0
E. Other loans payable	803,500		31,500	772,000	32,500
F. Compensated absences payable	92,420		51,232	41,188	
Total	\$ 2,908,482	0	338,479	2,570,003	335,229

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement, Series 2008	3-4%	03-01-09	03-01-18	3,160,000	950,000
Total				\$ 3,160,000	950,000

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

Year ending June 30	Principal	Interest	Total
2012	\$ 120,000	32,150	152,150
2013	125,000	28,550	153,550
2014	135,000	24,800	159,800
2015	135,000	20,750	155,750
2016	140,000	16,700	156,700
2017-2018	295,000	17,800	312,800
Total	\$ 950,000	140,750	1,090,750

Okolona Municipal Separate School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

This debt will be retired from the MAEP Bond Issue Fund.

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

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Tax Note, Series 2008	3.95%	05-13-08	05-13-11	154,000	0
Shortfall Tax Note, Series 2009	3.60%	6/23/2009	7/19/2012	160,000	108,815
Total				\$ 314,000	108,815

Shortfall Tax Note, Series 2009:

Year ending June 30	Principal	Interest	Total
2012	\$ 53,454	43,569	97,023
2013	55,361	37,881	93,242
	\$ 108,815	81,450	190,265

This debt will be retired from the General Fund.

C. Obligations under capital leases

The school district has entered into lease agreements which qualify as capital leases for accounting purposes, for the acquisition of the following:

1. Cafeteria Equipment for \$ 150,000 & School Buses for \$ 99,193 at a total cost of \$249,193 with a down payment of \$ 0.
2. School Buses at a cost of \$ 127,950 with a down payment of \$ 0.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2006A - Buses	4.99%	10-10-06	10-10-10	\$ 99,193	0
Series 2006A - Equipment	5.08%	05-23-06	04-10-16	150,000	83,858
Series 2009 - Buses	6.50%	09-11-09	09-10-11	127,950	114,142
				\$ 377,143	198,000

Okolona Municipal Separate School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

The various options available to the lessee for this lease are as follows:

1. The title to the leased property for all leases will be transferred to the school district at the end of the term.

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

Year ending June 30	Principal	Interest	Total
2012	\$ 129,275	7,780	137,055
2013	15,911	3,292	19,203
2014	16,729	2,473	19,202
2015	17,590	1,613	19,203
2016	18,495	708	19,203
Total	\$ 198,000	15,866	213,866

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principals generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund.

D. Qualified zone academy bonds payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QZAB, Series 2005	0.0%	11-10-05	12-01-15	250,000	250,000
QZAB, Series 2008	0.0%	12-13-07	12-13-17	250,000	250,000
Total				\$ 500,000	500,000

E. Other loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note	3.78%	10-05-05	10-01-15	350,000	222,000
Emergency note	N/A	06-25-10	N/A	550,000	550,000
Total				\$ 900,000	772,000

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Details of the district's June 30, 2011 other loans payable are as follows:

1. Limited Tax Note

Year Ending Text	Principal	Interest	Total
2012	\$ 32,500	7,613	40,113
2013	34,000	6,383	40,383
2014	35,500	5,097	40,597
2015	48,000	3,552	51,552
2016	72,000	1,332	73,332
Total	<u>\$ 222,000</u>	<u>23,977</u>	<u>245,977</u>

This debt will be retired from the district's construction fund.

2. Emergency Loan

On February 24, 2010, the Governor declared a state of emergency relating to the Okolona Municipal Separate School District. On June 25, 2010, the District borrowed \$550,000, from the School District Emergency Assistance Fund, not to be repaid until 5 years after the District regains solvency.

F. Compensated absences payable

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

(7) Prior Year Defeasance of Debt

In prior years, the Okolona Municipal Separate School District defeased certain limited obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds were removed from the District's financial statements. On June 30, 2011, there were no defeased bonds.

(8) Defined Benefit Pension Plan.

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

Okolona Municipal Separate School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contribution to PERS for the fiscal years ending June 30, 2011, 2010, and 2009 were \$405,310, \$452,953 and \$454,281, respectively, which equaled the required contributions for each year.

(9) Risk Management

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

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

(10) 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 Trustmark Bank has entered into such an arrangement dated November 10, 2005, and December 13, 2007, respectively.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before December 1st of each year starting in 2006 and ending in 2018. The amount on deposit at June 30, 2011 was \$91,329. The amount accumulated in the sinking fund at the end of the 12-year period will be sufficient to retire the debt. The amount of \$39,413 was transferred to the QZAB Bonds Fund sinking fund during the year. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending <u>June 30</u>	<u>Amount</u>
2012	\$ 42,398
2013	42,398
2014	30,160
2015	24,400
2016	51,500
2017-2019	<u>142,294</u>
	<u>\$ 333,150</u>

OKOLONA MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2011

(11) **Prior Period Adjustments/Exhibits**

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

1. An adjustment was made to record furniture and fixtures that were omitted from capital assets in the prior year.

\$	50,111
\$	50,111

(12) **Subsequent Events**

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Okolona Municipal Separate School District evaluated the activity of the district through August 6, 2012, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

Subsequent to June 30, 2011, the District issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
08-16-11	5.42%	117,354	Lease Purcha.	MSD Program

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Okolona Municipal Separate School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2011

	Budget		Actual GAAP Basis	Variances	
	Original	Amounts Final		Positive (Negative)	
				Original to Final	Final to Actual
REVENUES					
Local sources	\$ 1,288,193	1,087,015	1,087,015	(201,178)	0
State sources	3,168,745	3,143,322	3,143,322	(25,423)	0
Federal sources	37,075	76,074	76,074	38,999	0
Total revenues	<u>4,494,013</u>	<u>4,306,411</u>	<u>4,306,411</u>	<u>(187,602)</u>	<u>0</u>
EXPENDITURES					
Instruction	2,342,134	2,332,132	2,332,132	10,002	0
Support services	1,669,742	1,938,804	1,938,804	(269,062)	0
Debt service					
Principal	50,800	21,859	21,859	28,941	0
Interest	8,200	8,200	8,200	0	0
Total expenditures	<u>4,070,876</u>	<u>4,300,995</u>	<u>4,300,995</u>	<u>(230,119)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>423,137</u>	<u>5,416</u>	<u>5,416</u>	<u>(417,721)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	82,469	25,793	25,793	(56,676)	0
Operating transfers out	(351,609)	(79,359)	(79,359)	272,250	0
Total other financing sources and uses	<u>(269,140)</u>	<u>(53,566)</u>	<u>(53,566)</u>	<u>215,574</u>	<u>0</u>
Net change in fund balances	<u>153,997</u>	<u>(48,150)</u>	<u>(48,150)</u>	<u>(202,147)</u>	<u>0</u>
Fund balances:					
July 1, 2010	<u>209,612</u>	<u>237,981</u>	<u>237,981</u>	<u>28,369</u>	<u>0</u>
June 30, 2011	<u>\$ 363,609</u>	<u>189,831</u>	<u>189,831</u>	<u>(173,778)</u>	<u>0</u>

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

Okolona Municipal Separate School District
 Budgetary Comparison Schedule for the School Lunchroom Fund
 For the Year Ended June 30, 2011

	Budget		Actual GAAP Basis	Variances	
	Original	Amounts Final		Positive (Negative)	
				Original to Final	Final to Actual
REVENUES					
Local sources	\$ 72,849	30,582	30,582	(42,267)	0
State sources	2,500	4,567	4,567	2,067	0
Federal sources	480,000	460,809	460,809	(19,191)	0
Total revenues	<u>555,349</u>	<u>495,958</u>	<u>495,958</u>	<u>(59,391)</u>	<u>0</u>
EXPENDITURES					
Support services	11,453	20,247	20,247	(8,794)	0
Noninstructional services	421,714	393,825	393,825	27,889	0
Debt service:					
Principal	15,190	14,392	14,392	798	0
Interest	4,810	4,810	4,810	0	0
Total expenditures	<u>453,167</u>	<u>433,274</u>	<u>433,274</u>	<u>19,893</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>102,182</u>	<u>62,684</u>	<u>62,684</u>	<u>(39,498)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)					
Total financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>102,182</u>	<u>62,684</u>	<u>62,684</u>	<u>(39,498)</u>	<u>0</u>
Fund balances:					
July 1, 2010	<u>89,680</u>	<u>89,680</u>	<u>89,680</u>	<u>0</u>	<u>0</u>
Increase (decrease) in reserve for inventory		720	720	720	0
June 30, 2011	<u>\$ 191,862</u>	<u>153,084</u>	<u>153,084</u>	<u>(38,778)</u>	<u>0</u>

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

Okolona Municipal Separate School District
 Budgetary Comparison Schedule for the Title IA Fund
 For the Year Ended June 30, 2011

	Budget		Actual GAAP Basis	Variances	
	Original	Amounts Final		Original to Final	Final to Actual
REVENUES					
Federal sources	\$ 718,798	601,900	601,900	(116,898)	0
Total revenues	<u>718,798</u>	<u>601,900</u>	<u>601,900</u>	<u>(116,898)</u>	<u>0</u>
EXPENDITURES					
Instruction	326,396	231,279	231,279	95,117	0
Support services	283,929	317,514	317,514	(33,585)	0
Noninstructional services	63,795	61,140	61,140	2,655	0
Total expenditures	<u>674,120</u>	<u>609,933</u>	<u>609,933</u>	<u>64,187</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>44,678</u>	<u>(8,033)</u>	<u>(8,033)</u>	<u>(52,711)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	0	1,926	1,926	1,926	0
Transfer out	<u>(3,512)</u>	<u>0</u>	<u>0</u>	<u>3,512</u>	<u>0</u>
Total financing sources (uses)	<u>(3,512)</u>	<u>1,926</u>	<u>1,926</u>	<u>5,438</u>	<u>0</u>
Net change in fund balances	<u>41,166</u>	<u>(6,107)</u>	<u>(6,107)</u>	<u>(47,273)</u>	<u>0</u>
Fund balances:					
July 1, 2010,	<u>6,107</u>	<u>6,107</u>	<u>6,107</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 47,273</u>	<u>0</u>	<u>0</u>	<u>(47,273)</u>	<u>0</u>

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

Okolona Municipal Separate School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Okolona Municipal Separate School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Schedule 1

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	\$ 139,831
National School Lunch Program	10.555	320,977
Summer Food Service Program for Children	10.559	9,784
Total Child Nutrition Cluster		<u>470,592</u>
Fresh Fruit and Vegetable Program	10.582	18,127
Total U.S. Department of Agriculture		<u>488,719</u>
<u>Federal Communications Commission</u>		
Administered through Universal Service		
Administrative Company:		
School and library program of the Universal Service Fund - ERATE	32.xxx	28,375
Total Federal Communications Commission		<u>28,375</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I, Part A Cluster		
Title I - Grants to Local Educational Agencies	84.010	608,007
ARRA - Title I - Grants to Local Educational Agencies Recovery Act	84.389	33,465
Total Title I, Part A Cluster		<u>641,472</u>
Special Education Cluster (IDEA):		
Special Education Grants to States	84.027	176,167
ARRA - Special Education Grants to States, Recovery Act	84.391	148,014
Total Special Education Cluster (IDEA)		<u>324,181</u>
Education Technology State Grants Cluster		
ARRA - Education Technology State Grants, Recovery Act	84.386	238,004
Educational Technology Grants	84.318	6,382
Total Education Technology Grants Cluster		<u>244,386</u>
Department of Education - Other Programs		
Career and Technical Education --		
State Grants	84.048	17,310
Safe and Drug-Free Schools and Communities _		
State Grants	84.186	2,199
Twenty - First Century Community Learning Centers	84.287	532,163

Okolona Municipal Separate School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Schedule 1
 Page 2

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
State Grants for Innovative Programs	84.298	137
Reading First State Grants	84.357	39,945
Rural Education	84.358	19,400
Improving Teacher Quality State Grants	84.367	82,548
ARRA-State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	189,113
Education Jobs Fund	84.410	141,219
Total Other Programs		<u>1,024,034</u>
Total Department of Education Pass-Through Programs		<u>2,234,073</u>
 <u>U.S. Department of Homeland Security</u>		
Direct Program:		
Medicaid School Base Admin 2	99.MIS	28,286
Total U.S. Department of Homeland Security Services - Direct Program		<u>28,286</u>
 Total Expenditures of Federal Awards		 \$ <u>2,779,453</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.

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

Schedule 2

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,765,432	3,537,870	311,998	341,145	574,419
Other	<u>2,877,937</u>	<u>1,562,291</u>	<u>337,598</u>	<u>3,910</u>	<u>974,138</u>
Total	\$ <u>7,643,369</u>	<u>5,100,161</u>	<u>649,596</u>	<u>345,055</u>	<u>1,548,557</u>
Total number of students	645				
Cost per student	\$ <u>11,850</u>	<u>7,907</u>	<u>1,007</u>	<u>535</u>	<u>2,401</u>

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

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

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

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

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

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

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

OTHER INFORMATION

Okolona Municipal Separate School District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund - Last Four Years

Unaudited

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 1,087,015	1,006,462	1,057,641	935,793
State sources	3,143,322	3,187,362	3,763,392	4,095,442
Federal sources	76,074	47,956	139,423	35,789
Total Revenue	4,306,411	4,241,780	4,960,456	5,067,024
Expenditures:				
Instruction	2,332,132	2,834,337	3,140,402	3,514,013
Support services	1,938,804	1,888,995	1,890,217	1,850,663
Debt service:				
Principal	21,859	37,868	42,773	46,290
Interest	8,200	6,491	3,517	
Total Expenditures	4,300,995	4,767,691	5,076,909	5,410,966
Excess (deficiency) of revenues over expenditures	5,416	(525,911)	(116,453)	(343,942)
Other Financing Sources (Uses)				
Proceeds of loans		550,000	160,000	154,000
Inception of capital leases		127,950		
Insurance loss recoveries				833
Operating transfers in	25,793	45,026	140,509	8,288
Operating transfers out	(79,359)	(110,212)	(176,546)	(62,761)
Total Other Financing Sources (Uses)	(53,566)	612,764	123,963	100,360
Net Change in Fund Balances	(48,150)	86,853	7,510	(243,582)
Fund Balance:				
July 1,	237,981	151,527	144,017	387,599
June 30,	\$ 189,831	238,380	151,527	144,017

* SOURCE - PRIOR YEAR AUDIT REPORTS

Okolona Municipal Separate School District
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds - Last Four Years

Unaudited

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 1,293,762	1,172,467	1,175,513	1,047,774
State sources	3,553,136	3,591,030	4,193,390	4,527,335
Federal sources	2,782,497	2,262,010	1,480,016	1,424,781
Sixteenth section sources				
Total Revenue	7,629,395	7,025,507	6,848,919	6,999,890
Expenditures:				
Instruction	4,069,616	4,151,145	4,143,632	4,325,278
Support services	2,724,613	2,706,491	2,449,428	2,268,880
NonInstructional services	489,593	383,612	374,785	412,698
Facilities acquisition and construction				22,526
Debt service:				
Principal	287,247	246,886	270,322	209,927
Interest	65,689	65,083	72,257	93,526
Other	6,611	2,693	26,837	585
Total Expenditures	7,643,369	7,555,910	7,337,261	7,333,420
Excess (deficiency) of revenues over expenditures	(13,974)	(530,403)	(488,342)	(333,530)
Other Financing Sources (Uses)				
Proceeds of refunding bonds			1,310,000	250,000
Proceeds of loans		550,000	160,000	154,000
Inception of capital leases		127,950		
Sale of other property		1,000		
Insurance loss recoveries				833
Operating transfers in	107,078	155,238	391,677	148,441
Other financing sources		34,650		
Operating transfers out	(107,078)	(155,238)	(391,677)	(148,441)
Other financing uses		(35,300)	(1,261,526)	(68,273)
Total Other Financing Sources (Uses)	0	678,300	208,474	336,560
Net Change in Fund Balances	(13,974)	147,897	(279,868)	3,030
Fund Balance:				
July 1, as originally reported	726,276	585,690	870,662	872,636
Prior period adjustment		(5,945)		
July 1, as restated	726,276	579,745	870,662	872,636
Increase (decrease) in reserve for inventory	720	(1,366)	(5,104)	(5,004)
June 30,	\$ 713,022	726,276	585,690	870,662

* SOURCE - PRIOR YEAR AUDIT REPORTS

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPAs
AMERICAN INSTITUTE OF CPAs

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

Superintendent and School Board
Okolona Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Okolona Municipal Separate School District as of and for the year ended June 30, 2011, which collectively comprise the Okolona Municipal Separate School District's financial statements and have issued our report thereon dated August 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 and Responses as 11-1 to be a material weakness.

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*.

Okolona Municipal Separate School District's response to the finding in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Okolona Municipal Separate School District's response 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 used by anyone other than these specified parties.

Bridgers & Company, P.C.

Bridgers & Company, P.C.

Vicksburg, Mississippi

August 6, 2012



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

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

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

Superintendent and School Board
Okolona Municipal Separate School District

Compliance

We have audited the compliance of the Okolona Municipal Separate 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 Okolona Municipal Separate School District's major federal programs are identified in the summary of auditors results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of the Okolona Municipal Separate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Okolona Municipal Separate School District's internal control over compliance with requirements that could have a direct and material effect on

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

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

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

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

Bridgers & Company, P.C.
Bridgers & Company, P.C.
Vicksburg, Mississippi
August 6, 2012

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

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



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

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

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

Superintendent and School Board
Okolona Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Okolona Municipal Separate School District as of and for the year ended June 30, 2011, which collectively comprise the Okolona Municipal Separate School District's basic financial statements and have issued our report thereon dated August 6, 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 \$2,762 of classroom supply funds carried over from previous years.

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

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

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

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

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

Bridgers & Company, P.C.
Bridgers & Company, P.C.
Vicksburg, Mississippi
August 6, 2012

OKOLONA MUNICIPAL SEPARATE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Okolona Municipal Separate School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit finding(s) reported as required by Section ____, 510 of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. | Education Technology State Grants Cluster
CFDA# 84.318
CFDA# 84.386 |
| b. | Special Education Cluster:
CFDA# 84.027
CFDA# 84.391 |
| c. | ARRA - State Fiscal Stabilization Fund (SFSF), Recovery Act
CFDA# 84.394 |
| d. | Education Jobs Fund
CFDA# 84.410 |
| e. | Twenty-First Century Community Learning Centers
CFDA# 84.287 |

- | | |
|--|-----------|
| 8. The dollar threshold to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

Section 2: Financial Statement Findings

Management.

Significant Deficiency - Material Weakness

11-1 Finding

Management is responsible for establishing and maintaining effective internal control over financial reporting. During the course of our audit, we discovered invoices in the amount of \$164,540, that were incurred prior to June 30, 2011 and were not recorded into accounts payable.

Recommendation

Management should review its internal control policies to insure that it contains provisions that, if followed, would insure that all transactions occurring prior to year end would be recorded prior to closing the books.

Management's Response

We feel that our internal control policies should have detected the invoices that had not been recorded. We feel that this was an oversight on our part. We will be more careful in the future.

Section 3: Federal Award Findings and Questioned Costs

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