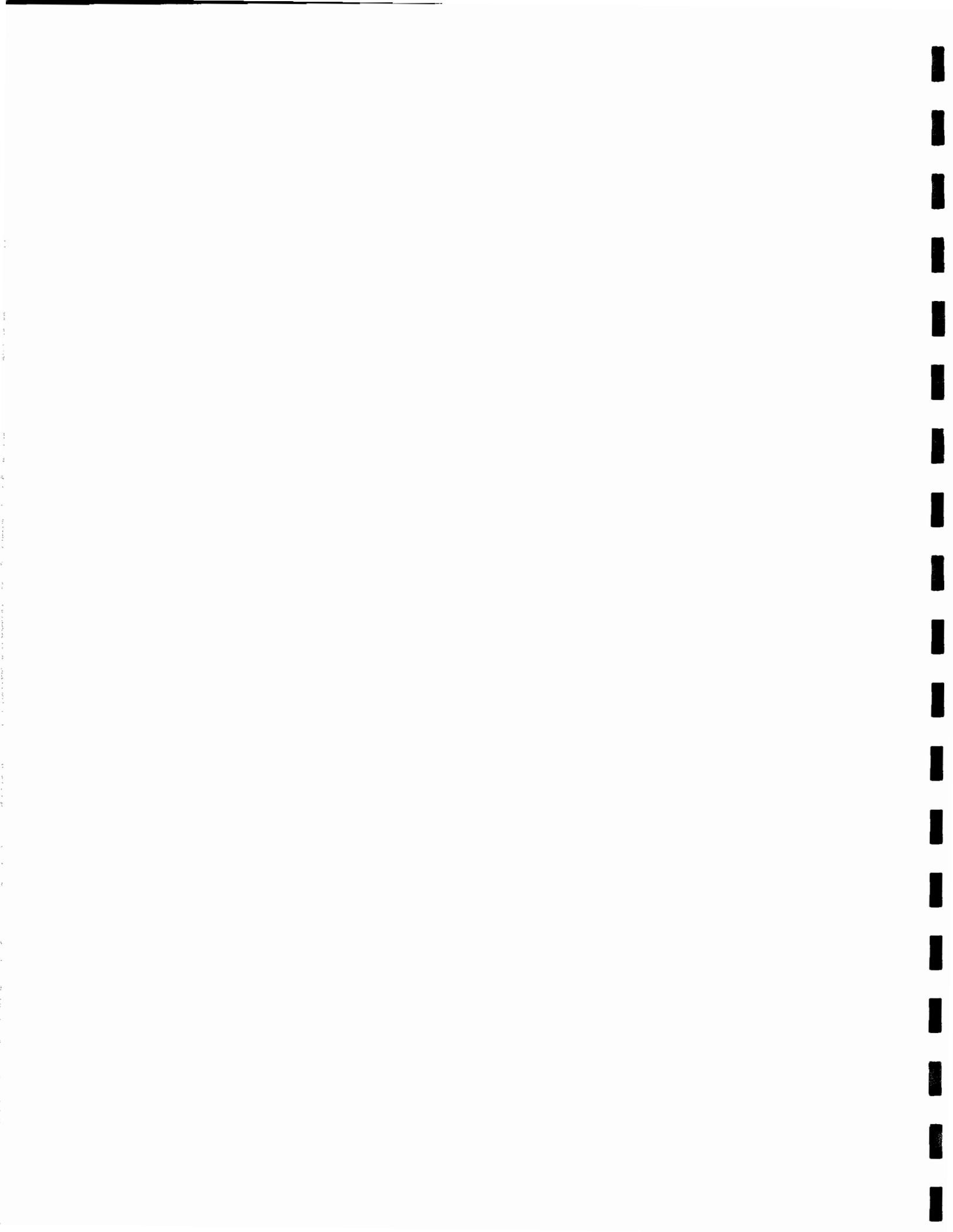




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QUITMAN SCHOOL DISTRICT

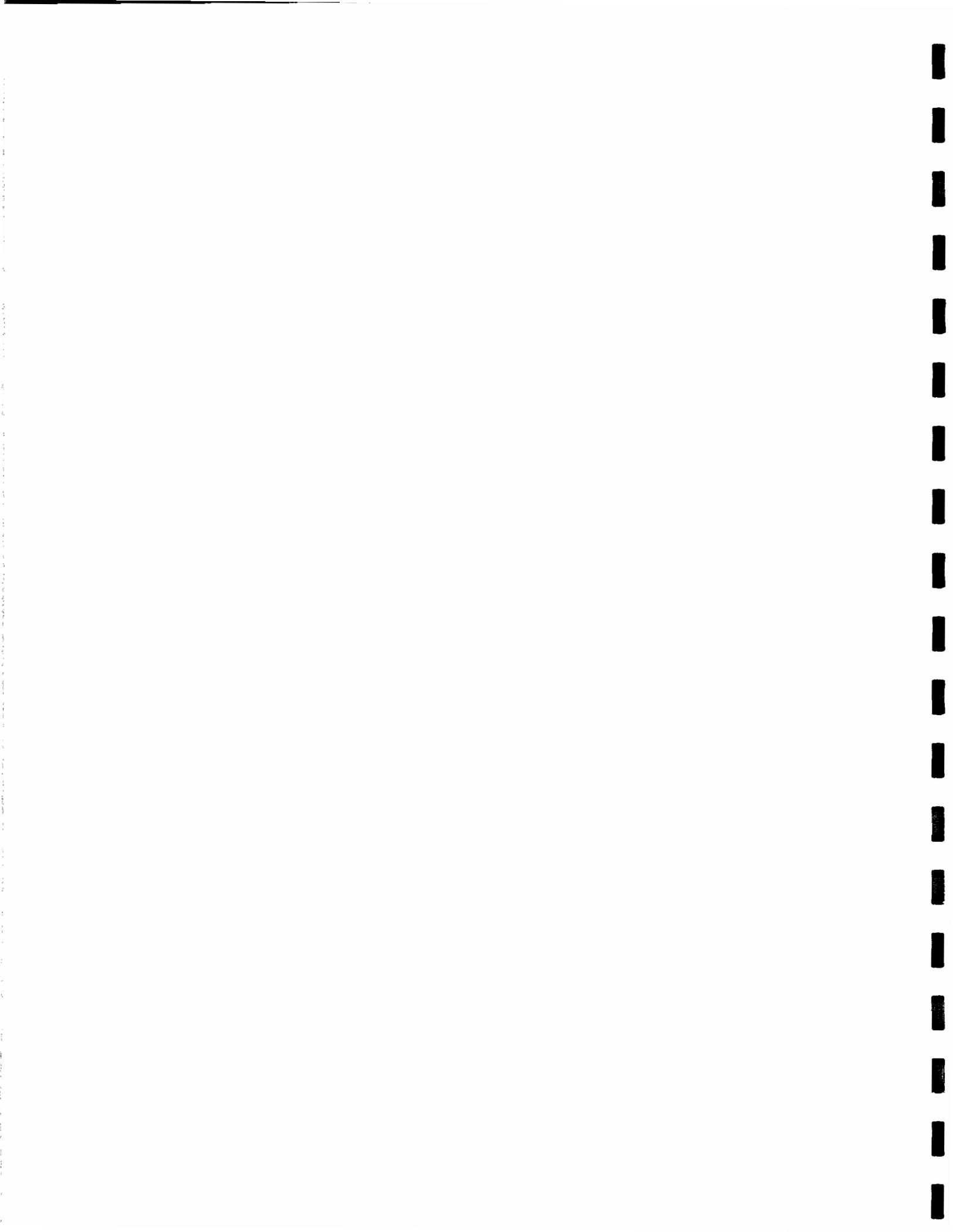
**Audited Financial Statements
For the Year Ended June 30, 2011**



Quitman School District

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INDEPENDENT AUDITOR'S REPORT

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Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants
Accountants

Member
Mississippi Society of
Certified Public

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Quitman School District

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman 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 October 24, 2011, on our consideration of the Quitman School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Quitman 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 Quitman School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Stephen D. Myrick
Certified Public Accountants

October 24, 2011
Quitman, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Quitman School District

104 East Franklin Street • Quitman, MS 39355 • Telephone 601-776-2186

Suzanne Hawley, Ed.D.
Superintendent

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

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$1,443,753, which represents a 10% increase from fiscal year 2010. Total net assets for 2010 increased \$463,391, including a prior period adjustment of \$(4,756), which represents a 3% increase from fiscal year 2009.
- General revenues amounted to \$14,086,391 and \$13,625,672, or 73% and 68% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,194,935 or 27% of total revenues for 2011, and \$6,324,715, or 32% of total revenues for 2010.
- The District had \$17,792,573 and \$19,482,240 in expenses for fiscal years 2011 and 2010; only \$5,194,935 for 2011 and \$6,324,715 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,086,391 for 2011 and \$13,625,672 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,809,827 in revenues and \$11,457,854 in expenditures for 2011, and \$11,974,206 in revenues and \$12,270,761 in expenditures in 2010. The General Fund's fund balance increased by \$963,493 from 2010 to 2011, and increased by \$11,409 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$137,117 for 2011 and increased by \$277,708 for 2010. The increase for 2011 was due to the addition of construction in progress and capital assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$1,324,076 for 2011 and decreased by \$165,924 for 2010. This net increase for 2011 was due primarily to the issuance of limited tax notes payable and principal payments on outstanding long-term debt. The liability for compensated absences increased by \$5,615 for 2011 and increased by \$3,118 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$15,753,364 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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current Assets	\$ 5,969,678	\$ 4,170,754	43%
Restricted assets	1,875,548	692,163	171%
Capital assets, net	13,207,308	13,070,191	1%
Total Assets	<u>21,052,534</u>	<u>17,933,108</u>	17%
Current Liabilities	480,167	134,185	258%
Long-term debt outstanding	4,819,003	3,489,312	38%
Total Liabilities	<u>5,299,170</u>	<u>3,623,497</u>	46%
Net assets:			
Invested in capital assets, net of related debt	8,517,308	9,715,191	-12%
Restricted	2,541,561	1,360,361	87%
Unrestricted	4,694,495	3,234,059	45%
Total net assets	<u>\$ 15,753,364</u>	<u>\$ 14,309,611</u>	10%

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

- Increase in restricted assets in the amount of \$1,212,953 due to the issuance of limited tax notes.
- Increase in current liabilities created from an ongoing construction and renovation project.
- Net increase in long-term debt due to the issuance of \$1,500,000 of limited tax notes and principal retirement of \$175,924 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$19,236,326 and \$19,950,387, respectively. The total cost of all programs and services was \$17,792,573 for 2011 and \$19,482,240 for 2010.

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

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 756,363	\$ 786,504	-4%
Operating grants and contributions	4,194,446	3,769,628	11%
Capital grants and contributions	199,126	1,768,583	-89%
Total program revenues	<u>5,149,935</u>	<u>6,324,715</u>	
General Revenues:			
Property taxes	3,761,044	3,351,538	12%
Grants and contributions not restricted	9,380,281	9,098,412	3%
Investment earnings	49,967	77,541	-36%
Sixteenth sections sources	881,098	1,098,181	-20%
Other	14,001	-	N/A
Total general revenues	<u>14,086,391</u>	<u>13,625,672</u>	
Total Revenues	<u>19,236,326</u>	<u>19,950,387</u>	-4%
Expenses:			
Instruction	9,143,846	11,131,269	-18%
Support services	6,879,615	6,716,171	2%
Non-instructional	1,318,130	1,382,318	-5%
Sixteenth section	256,379	110,663	132%
Interest and other expenses on long-term liabilities	194,603	141,819	37%
Total Expenses	<u>17,792,573</u>	<u>19,482,240</u>	-9%
Increase (Decrease) in net assets	<u>1,443,753</u>	<u>468,147</u>	208%
Net Assets, July 1, as originally reported	<u>14,309,611</u>	<u>13,846,220</u>	3%
Prior Period Adjustment	<u>-</u>	<u>(4,756)</u>	-100%
Net Assets, July 1, as restated	<u>14,309,611</u>	<u>13,841,464</u>	3%
Net Assets, June 30	<u>\$ 15,753,364</u>	<u>\$ 14,309,611</u>	10%

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2011	2010	
Instruction	9,143,846	11,131,269	-18%
Support services	6,879,615	6,716,171	2%
Non-instructional	1,318,130	1,382,318	-5%
Sixteenth section	256,379	110,663	132%
Interest and other expenses on long-term liabilities	194,603	141,819	37%
Total Expenses	\$ 17,792,573	\$ 19,482,240	-9%

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	(5,996,525)	(7,270,051)	-18%
Support services	(5,945,462)	(5,532,260)	7%
Non-instructional	(249,669)	(271,731)	-8%
Sixteenth section	(256,379)	58,336	-539%
Interest and other expenses on long-term liabilities	(194,603)	(141,819)	37%
Total net (expense) revenue	\$ (12,642,638)	\$ (13,157,525)	-4%

- Net cost of governmental activities (\$12,642,638 for 2011 and \$13,157,525 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$3,761,044 for 2011 and \$3,351,538 for 2010) and state and federal revenues (\$9,380,281 for 2011 and \$9,098,412 for 2010). In addition, there was \$881,098 and \$1,098,181 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$49,967 for 2011 and \$77,541 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,400,621, an increase of \$2,677,228, which includes an increase in inventory of \$1,953. \$3,162,889 or 43% 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 \$4,237,732 or 57% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$963,493. The fund balance of Other Governmental Funds showed an increase in the amount of \$141,612, which includes an increase in reserve for inventory of \$1,953. The increase in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
QSCB Fund	\$ 1,047,114
16th Section Interest	\$ 525,009

BUDGETARY HIGHLIGHTS

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

- The District had not made final preparation for the award of the ARRA Qualified School Construction Bond at the time the original budget was approved. Once the District awarded the construction bid then the budget was amended to include the construction project.
- The District was awarded an ARRA Stabilization Fund grant to fund instructional salaries. Revenues from this grant were used to pay instructional salaries thus causing salaries in the General Fund to decrease.
- Revenues from 16th Section timber sales exceeded original expectations due to market and weather conditions.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$23,982,736, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$694,700 from 2010. Total accumulated depreciation as of June 30, 2011, was \$10,775,428, and total depreciation expense for the year was \$725,464, resulting in total net capital assets of \$13,207,308.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	174,918	174,918	0%
Construction in Progress	446,621	-	-100%
Buildings	7,570,957	7,759,420	-2%
Building Improvements	2,347,145	2,561,810	-8%
Improvements other than buildings	1,538,534	1,501,169	2%
Mobile Equipment	829,644	814,992	2%
Furniture and equipment	299,489	257,882	16%
Total	\$ 13,207,308	\$ 13,070,191	1%

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

Debt Administration. At June 30, 2011, the District had \$4,819,003 in outstanding long-term debt, of which \$256,165 is due within one year. The liability for compensated absences increased \$5,615 from the prior year. The District issued \$1,500,000 in limited tax notes during the current year to fund construction and renovation at the high school.

The District does not have a bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Three mill notes payable	3,190,000	3,355,000	-5%
Qualified school construction bonds payable	1,500,000	-	N/A
Other loans payable	5,464	16,388	-67%
Compensated absences payable	123,539	117,924	5%
Total	<u>\$ 4,819,003</u>	<u>\$ 3,489,312</u>	38%

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

CURRENT ISSUES

The District is currently financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2010-2011 year decreased by 7% to 2,034 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Quitman School District, 104 East Franklin Street, Quitman, MS 39355.

FINANCIAL STATEMENTS

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QUITMAN SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 5,291,588
Due from other governments	531,030
Other receivables, net	64,407
Inventories	31,260
Deferred debt issuance costs	51,393
Restricted assets	1,875,548
Capital assets, non-depreciable:	
Land	174,918
Construction in progress	446,621
Capital assets, net of accumulated depreciation:	
Buildings	7,570,957
Building improvements	2,347,145
Improvements other than buildings	1,538,534
Mobile equipment	829,644
Furniture and equipment	299,489
	21,052,534
Liabilities:	
Accounts payable and accrued liabilities	393,210
Interest payable on long-term liabilities	86,957
Long-term liabilities, due within one year:	
Capital related liabilities	245,000
Non-capital related liabilities	11,165
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,445,000
Non-capital related liabilities	117,838
Total Liabilities	5,299,170
Net Assets:	
Invested in capital assets, net of related debt	8,517,308
Restricted net assets:	
Expendable:	
School-based activities	382,305
Debt service	199,448
Capital improvements	1,006,647
Forestry improvements	245,535
Unemployment benefits	45,031
Non-expendable:	
Sixteenth section	662,595
Unrestricted	4,694,495
Total Net Assets	\$ 15,753,364

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

Exhibit B

**QUITMAN SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 9,143,846	\$ 733,587	2,326,006	87,728	\$ (5,996,525)
Support services	6,879,615	-	850,090	84,063	(5,945,462)
Non-instructional	1,318,130	22,776	1,018,350	27,335	(249,669)
Sixteenth section	256,379	-	-	-	(256,379)
Interest on long-term liabilities	194,603	-	-	-	(194,603)
Total governmental activities	\$ 17,792,573	\$ 756,363	\$ 4,194,446	\$ 199,126	(12,642,638)
General Revenues:					
Taxes:					
General purpose levies					3,399,506
Debt purpose levies					361,538
Unrestricted grants and contributions:					
State					8,722,453
Federal					657,828
Unrestricted investment earnings					49,967
Sixteenth section sources					881,098
Other					14,001
Total General Revenues					14,086,391
Change in Net Assets					1,443,753
Net Assets - Beginning					14,309,611
Net Assets - Ending					\$ 15,753,364

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

**QUITMAN SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2011**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	QSCB Fund	16th Section Interest		
ASSETS					
Cash and cash equivalents	\$ 2,791,106	\$ 1,212,953	\$ 1,665,553	\$ 1,497,524	\$ 7,167,136
Due from other governments	193,453	-	-	337,576	531,029
Other receivables, net	11,319	-	50,709	-	62,028
Due from other funds	319,813	-	-	59	319,872
Inventories	-	-	-	31,260	31,260
Total Assets	\$ 3,315,691	\$ 1,212,953	\$ 1,716,262	\$ 1,866,419	\$ 8,111,325
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 83,273	\$ 165,839	\$ 123,837	\$ 20,261	\$ 393,210
Due to other funds	59	-	1,289	316,146	317,494
Total Liabilities	83,332	165,839	125,126	336,407	710,704
Fund Balances:					
Nonspendable					
Inventory	-	-	-	31,260	31,260
Permanent fund principal	-	-	-	662,595	662,595
Restricted					
Debt service	-	-	-	194,546	194,546
Capital projects	-	1,047,114	-	-	1,047,114
Forestry improvement purposes	-	-	-	245,535	245,535
Unemployment benefits	-	-	-	45,031	45,031
Other purposes	69,470	-	1,591,136	351,045	2,011,651
Unassigned	3,162,889	-	-	-	3,162,889
Total Fund Balances	3,232,359	1,047,114	1,591,136	1,530,012	7,400,621
Total Liabilities and Fund Balances	\$ 3,315,691	\$ 1,212,953	\$ 1,716,262	\$ 1,866,419	\$ 8,111,325

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

QUITMAN SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

		<u>Amount</u>
Total fund balances for governmental funds		\$ 7,400,621
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
1. Deferred debt issuance costs for long-term liabilities are reported as expenditures in the governmental funds, but are deferred and amortized in the Statement of Activities.		51,393
2. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$ 174,918	
Construction in progress	446,621	
Buildings	11,936,996	
Building improvements	5,366,627	
Improvements other than buildings	1,867,023	
Mobile equipment	2,810,816	
Furniture and equipment	1,379,735	
Accumulated depreciation	<u>(10,775,428)</u>	13,207,308
3. Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable	(4,695,464)	
Accrued interest payable	(86,957)	
Compensated absences	<u>(123,539)</u>	(4,905,960)
4. Rounding		2
Net assets of governmental activities		<u><u>\$ 15,753,364</u></u>

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

QUITMAN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	QSCB Fund	16th Section Interest		
Revenues:					
Local sources	\$ 3,877,483	\$ 14,698	\$ -	\$ 675,192	\$ 4,567,373
State sources	8,758,241	-	-	336,062	9,094,303
Federal sources	174,103	-	-	4,505,441	4,679,544
Sixteenth section sources	-	-	753,228	127,870	881,098
Total Revenues	<u>12,809,827</u>	<u>14,698</u>	<u>753,228</u>	<u>5,644,565</u>	<u>19,222,318</u>
Expenditures:					
Instruction	6,139,082	439,871	-	2,646,115	9,225,068
Support services	5,224,225	6,750	-	1,675,542	6,906,517
Noninstructional services	-	-	-	1,256,887	1,256,887
Sixteenth section	-	-	140,691	115,687	256,378
Facilities acquisition and construction	83,623	-	-	-	83,623
Debt service:					
Principal	10,924	-	-	165,000	175,924
Interest	-	-	-	134,584	134,584
Other	-	20,963	-	1,100	22,063
Total Expenditures	<u>11,457,854</u>	<u>467,584</u>	<u>140,691</u>	<u>5,994,915</u>	<u>18,061,044</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,351,973</u>	<u>(452,886)</u>	<u>612,537</u>	<u>(350,350)</u>	<u>1,161,274</u>
Other Financing Sources (Uses):					
Bonds and notes issued	-	1,500,000	-	-	1,500,000
Insurance loss recoveries	14,001	-	-	-	14,001
Operating transfers in	217,432	-	38,339	619,913	875,684
Operating transfers out	(619,913)	-	(125,867)	(129,904)	(875,684)
Total other financing sources (uses)	<u>(388,480)</u>	<u>1,500,000</u>	<u>(87,528)</u>	<u>490,009</u>	<u>1,514,001</u>
Net Change in Fund Balances	<u>963,493</u>	<u>1,047,114</u>	<u>525,009</u>	<u>139,659</u>	<u>2,675,275</u>
Fund Balances:					
July 1, 2010,	2,268,866	-	1,066,127	1,388,400	4,723,393
Increase (decrease) in reserve for inventory	-	-	-	1,953	1,953
June 30, 2011	<u>\$ 3,232,359</u>	<u>\$ 1,047,114</u>	<u>\$ 1,591,136</u>	<u>\$ 1,530,012</u>	<u>\$ 7,400,621</u>

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

QUITMAN 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

		<u>Amount</u>
Net Change in fund balances - total governmental funds		\$ 2,675,275
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital outlay	\$ 877,105	
Depreciation expense	<u>(725,464)</u>	151,641
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(14,524)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principles of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
Bonds and notes issued	(1,500,000)	
Payments of debt principal	175,924	
Accrued interest payable	(58,919)	
Deferred debt issuance costs	<u>20,963</u>	(1,362,032)
4. Some expenses reported in the Statement of Activites 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	(5,615)	
Change in inventory reserve	1,953	
Amortization of deferred debt issuance costs	<u>(2,951)</u>	(6,613)
5. Rounding		6
Change in Net Assets of Governmental Activities		<u><u>\$ 1,443,753</u></u>

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

Exhibit E

**QUITMAN SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2011**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 3,410	\$ 560,434
Total assets	<u>\$ 3,410</u>	<u>\$ 560,434</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 526,414
Due to other funds	-	2,378
Due to student clubs	-	31,572
Other payable	-	70
Total liabilities	<u>\$ -</u>	<u>\$ 560,434</u>
Net assets		
Reserved for endowments	<u>\$ 3,410</u>	
Total net assets	<u>\$ 3,410</u>	

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

QUITMAN SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30 2011

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Contributions and donations from private sources	\$ 3,160
Total additions	<u>3,160</u>
Deductions	
Scholarships awarded	<u>2,920</u>
Total deductions	<u>2,920</u>
Change in net assets	240
Net assets	
July 1, 2010	<u>3,170</u>
June 30, 2011	<u><u>\$ 3,410</u></u>

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

QUITMAN SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

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

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

QUITMAN SCHOOL DISTRICT

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

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

QSCB Fund - This capital project fund is used to account for the school district's proceeds from the issuance of Qualified School Construction Bond sinking funds and the subsequent use of these funds to construct or renovate certain capital assets.

Sixteenth Section Interest - This special revenue fund is used to account for expendable revenue earned from sixteenth section lands as well as the related earnings from the investment of nonexpendable revenues.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

QUITMAN SCHOOL DISTRICT

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

The effect of inter-fund activity has been eliminated from the government-wide statements. Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

QUITMAN SCHOOL DISTRICT

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

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

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

QUITMAN SCHOOL DISTRICT

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

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.

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 the capitalization thresholds:

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

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

QUITMAN SCHOOL DISTRICT

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first.

QUITMAN SCHOOL DISTRICT

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

Note 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 are imposed by statutes as follows:

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,167,136, and \$563,844, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$5,291,588 and restricted assets of \$1,875,548.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$8,467,656 was exposed to custodial credit risk.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 316,146
	16th Section Interest	1,289
	Fiduciary funds	2,378
Other governmental funds	General	59
		\$ 319,872

The purpose of the above loans represent the recording of indirect costs from federal grants, loans for working capital and interest earned in agency funds that will be transferred to the General Fund.

QUITMAN SCHOOL DISTRICT

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 619,913
16th Section Interest	General Fund	125,867
Other governmental funds	General Fund	91,565
	16th Section Interest	38,339
Total		<u>\$ 875,684</u>

The principal purpose of inter-fund transfers was to provide operating funds to other governmental funds from the General Fund, to pay indirect costs of federal grants to the General Fund, transfer unrestricted earnings from the 16th Section Interest Fund to the General Fund for operating purposes and to transfer unrestricted investment earnings on 16th Section Principal funds to the 16th Section Interest Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$662,595 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 balance, totaling \$1,212,953 of the QSCB Bond Retirement Fund.

Note 5 – Capital Assets

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

	Balance 7/1/10	Increases	Decreases	Balance 6/30/11
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 174,918	\$ -	\$ -	\$ 174,918
Construction in progress	-	446,621	-	446,621
Total non-depreciable capital assets	174,918	446,621	-	621,539
Depreciable capital assets:				
Buildings	11,936,996	-	-	11,936,996
Building improvements	5,366,627	-	-	5,366,627
Improvements other than buildings	1,754,977	112,046	-	1,867,023
Mobile Equipment	2,802,720	149,210	141,114	2,810,816
Furniture and equipment	1,251,798	169,228	41,291	1,379,735
Total depreciable capital assets	23,113,118	430,484	182,405	23,361,197
Less accumulated depreciation for:				
Buildings	4,177,576	188,463	-	4,366,039
Building improvements	2,804,817	214,665	-	3,019,482
Improvements other than buildings	253,808	74,681	-	328,489
Mobile Equipment	1,987,728	120,447	127,003	1,981,172
Furniture and equipment	993,916	127,208	40,878	1,080,246
Total accumulated depreciation	10,217,845	725,464	167,881	10,775,428
Total depreciable capital assets, net	12,895,273	(294,980)	(14,524)	12,585,769
Total capital assets, net	\$ 13,070,191	\$ 151,641	\$ (14,524)	\$ 13,207,308

QUITMAN SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 473,075
Support services	166,638
Non-instructional	85,751
Total, governmental activities	\$ 725,464

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
High school air condition replacement and auditorium renovation project	\$ 446,621	\$ 1,032,668
Total governmental activities	\$ 446,621	\$ 1,032,668

Construction projects included in governmental activities are funded with proceeds from the issuance of qualified school construction bonds payable.

Note 6 – Long-term Liabilities

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

	Balance 7/1/10	Additions	Reductions	Balance 6/30/11	Amounts due within one year
A. Three mill notes payable	\$ 3,355,000	\$ -	\$ 165,000	\$ 3,190,000	\$ 170,000
B. Qualified school construction bonds payable	-	1,500,000	-	1,500,000	75,000
C. Other loans payable	16,388	-	10,924	5,464	5,464
D. Compensated absences payable	117,924	7,065	1,450	123,539	5,701
Total	\$ 3,489,312	\$ 1,507,065	\$ 177,374	\$ 4,819,003	\$ 256,165

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, series 2007	1.73% - 2.90%	4/15/2007	4/15/2027	\$ 3,800,000	\$ 3,190,000
Total				\$ 3,800,000	\$ 3,190,000

QUITMAN SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 170,000	\$ 126,334	\$ 296,334
2013	180,000	117,834	297,834
2014	190,000	109,509	299,509
2015	195,000	100,484	295,484
2016	205,000	91,709	296,709
2017-2021	1,055,000	346,028	1,401,028
2022-2026	985,000	156,938	1,141,938
2027	210,000	7,875	217,875
	<u>\$ 3,190,000</u>	<u>\$ 1,056,711</u>	<u>\$ 4,246,711</u>

This debt will be retired from the Three Mill Note fund.

B. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, series 2010-A, B	4.33%	10/7/2010	10/7/2025	\$ 1,500,000	\$ 1,500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

C. Other loans payable

The school district has issued debt instruments for the removal of asbestos and the amount currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos Promissory Note	0%	7/12/1993	11/1/2011	\$ 2,685,000	\$ 5,464
				<u>\$ 2,685,000</u>	<u>\$ 5,464</u>

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

QUITMAN SCHOOL DISTRICT

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

Year Ending	Principal	Interest	Total
June 30			
2012	\$ 5,464	\$ -	\$ 5,464
	\$ 5,464	\$ -	\$ 5,464

This debt will be retired from the General Fund.

D. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,113,391, \$1,255,256 and \$1,247,433, respectively, which equaled the required contributions for each year.

Note 8 - Sixteenth Section Lands

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

QUITMAN SCHOOL DISTRICT

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

Year Ended	
June 30	Amount
2012	\$ 45,540
2013	45,540
2014	45,540
2015	45,540
2016	4,007
2017-2021	19,135
2022-2026	18,535
2027-2031	18,535
2032-2036	15,764
2037-2041	2,685
Total	<u>\$ 260,821</u>

Note 9 - Contingencies

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

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

Note 10 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association 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 purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

QUITMAN SCHOOL DISTRICT

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

Note 11 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ended	
June 30	Amount
2012	\$ 75,000
2013	74,000
2014	70,000
2015	71,000
2016	71,000
2017-2021	454,000
2022-2026	685,000
Total	<u>\$ 1,500,000</u>

Note 12 - Insurance loss recoveries

The district received \$14,001 in insurance loss recoveries related to property damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other income.

Note 13 – Deferred debt issuance costs

Deferred debt issuance costs are those costs including legal fees and other cost incurred by the school district in connection with the issuance of debt. Currently, these costs net of accumulated amortization are \$51,393.

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REQUIRED SUPPLEMENTAL INFORMATION

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QUITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP) Basis	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,687,950	\$ 3,877,483	\$ 3,877,483	\$ 189,533	\$ -
State sources	8,862,194	8,758,241	8,758,241	(103,953)	-
Federal sources	161,177	174,103	174,103	12,926	-
Total revenues	<u>12,711,321</u>	<u>12,809,827</u>	<u>12,809,827</u>	<u>98,506</u>	<u>-</u>
Expenditures:					
Instruction	7,273,046	6,139,082	6,139,082	1,133,964	-
Support services	5,328,320	5,224,225	5,224,225	104,095	-
Facilities acquisition and construction	-	83,623	83,623	(83,623)	-
Debt service:					
Principal	10,924	10,924	10,924	-	-
Total expenditures	<u>12,612,290</u>	<u>11,457,854</u>	<u>11,457,854</u>	<u>1,154,436</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	99,031	1,351,973	1,351,973	1,252,942	-
Other Financing Sources (Uses):					
Insurance loss recoveries	-	14,001	14,001	14,001	-
Operating transfers in	1,663,507	1,702,918	217,432	39,411	(1,485,486)
Operating transfers out	(2,097,986)	(2,105,399)	(619,913)	(7,413)	1,485,486
Total other financing sources (uses)	<u>(434,479)</u>	<u>(388,480)</u>	<u>(388,480)</u>	<u>45,999</u>	<u>-</u>
Net change in fund balances	(335,448)	963,493	963,493	1,298,941	-
Fund Balances:					
July 1, 2010	2,032,582	2,268,866	2,268,866	236,284	-
June 30, 2011	<u>\$ 1,697,134</u>	<u>\$ 3,232,359</u>	<u>\$ 3,232,359</u>	<u>\$ 1,535,225</u>	<u>\$ -</u>

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

QUITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
QSCB Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP) Basis	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 14,698	\$ 14,698	\$ 14,698	\$ -
Total revenues	-	14,698	14,698	14,698	-
Expenditures:					
Instruction	-	460,834	439,871	(460,834)	20,963
Support services	-	-	6,750	-	(6,750)
Debt service	-	-	-	-	-
Other	-	-	20,963	-	(20,963)
Total expenditures	-	460,834	467,584	(460,834)	(6,750)
Excess (deficiency) of revenues over (under) expenditures	-	(446,136)	(452,886)	(446,136)	(6,750)
Other Financing Sources (Uses):					
Bonds and notes issued	-	-	1,500,000	-	1,500,000
Operating transfers out	-	(35,821)	-	(35,821)	35,821
Total other financing sources (uses)	-	(35,821)	1,500,000	(35,821)	1,535,821
Net change in fund balances	-	(481,957)	1,047,114	(481,957)	1,529,071
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ -	\$ (481,957)	\$ 1,047,114	\$ (481,957)	\$ 1,529,071

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

QUITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
16th Section Interest
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP) Basis	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section	\$ 277,975	\$ 1,056,443	\$ 753,228	\$ 778,468	\$ (303,215)
Total revenues	277,975	1,056,443	753,228	778,468	(303,215)
Expenditures:					
Sixteenth section	3,020	2,414	140,691	606	(138,277)
Total expenditures	3,020	2,414	140,691	606	(138,277)
Excess (deficiency) of revenues over (under) expenditures	274,955	1,054,029	612,537	779,074	(441,492)
Other financing sources (uses):					
Operating transfers in	28,770	28,770	38,339	-	9,569
Operating transfers out	(637,459)	(686,245)	(125,867)	(48,786)	560,378
Total other financing sources (uses)	(608,689)	(657,475)	(87,528)	(48,786)	569,947
Net change in fund balances	(333,734)	396,554	525,009	730,288	128,455
Fund Balances:					
July 1, 2010	1,227,423	669,573	1,066,127	(557,850)	396,554
June 30, 2011	\$ 893,689	\$ 1,066,127	\$ 1,591,136	\$ 172,438	\$ 525,009

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

QUITMAN SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison 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.

SUPPLEMENTAL INFORMATION

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QUITMAN SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 289,999
National school lunch program	10.555	788,076
Total child nutrition cluster		<u>1,078,075</u>
Total U.S. Department of Agriculture		<u>1,078,075</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	72,615
Total U.S. Department of Defense		<u>72,615</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	99,559
Total Federal Communications Commission		<u>99,559</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	33,768
Safe and drug-free schools and communities - national programs	84.184	31,506
Twenty-first century community learning centers	84.287	121,726
Reading first state grants	84.357	233,338
Rural education	84.358	48,186
Improving teacher quality state grants	84.367	197,383
School improvement grants (Section 1003(g) of the ESEA)	84.377	41,882
ARRA - State fiscal stabilization fund - education state grants, Recovery Act	84.394	558,269
Education jobs fund	84.410	416,882
Total		<u>1,682,940</u>
Special education cluster:		
Special education - grants to states	84.027	476,349
Special education - preschool grants	84.173	36,067
ARRA - Special education - grants to states, Recovery Act	84.391	154,241
ARRA - Special education - preschool grants, Recovery Act	84.392	151
Total special education cluster		<u>666,808</u>
Title I cluster:		
Title I - grants to local educational agencies	84.010	957,782
ARRA - Title I - grants to local educational agencies, Recovery Act	84.389	119,837
Total Title I cluster:		<u>1,077,619</u>
Total passed-through Mississippi Department of Education		<u>3,427,367</u>
Total U.S. Department of Education		<u>3,427,367</u>
Total for All Federal Awards		<u>\$ 4,677,616</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same 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.

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 12,706,557	\$ 9,253,221	\$ 562,575	1,142,872	\$ 1,747,889
Other	5,354,487	1,462,886	283,305	3,452	3,604,844
Total	\$ 18,061,044	\$ 10,716,107	\$ 845,880	\$ 1,146,324	\$ 5,352,733
Total number of students	* 2,034				
Cost per student	\$ 8,880	\$ 5,268	\$ 416	\$ 564	\$ 2,632

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, teacher’s aides or classroom assistants of any type.

General Administration – includes expenditures for the following functions: Support services – general administration and Support services – business.

School Administration – includes expenditures for the following function: Support services – school administration.

Other – includes all expenditure functions not included in Instruction or Administration categories.

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

OTHER INFORMATION

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QUITMAN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	<u>2011</u>	<u>2010</u> *	<u>2009</u> *	<u>2008</u> *
Revenues:				
Local sources	3,877,483	\$ 3,412,830	\$ 3,201,195	\$ 2,946,807
State sources	8,758,241	8,475,093	9,738,249	10,662,130
Federal sources	174,103	86,283	74,644	85,296
Total Revenues	<u>12,809,827</u>	<u>11,974,206</u>	<u>13,014,088</u>	<u>13,694,233</u>
Expenditures:				
Instruction	6,139,082	7,023,381	7,863,646	8,125,823
Support services	5,224,225	5,209,663	5,395,751	6,176,429
Facilities acquisition and construction	83,623	26,793	-	12,500
Debt service:				
Principal	10,924	10,924	10,924	10,924
Total Expenditures	<u>11,457,854</u>	<u>12,270,761</u>	<u>13,270,321</u>	<u>14,325,676</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,351,973</u>	<u>(296,555)</u>	<u>(256,233)</u>	<u>(631,443)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	14,001	3,495	-	-
Operating transfers in	217,432	900,670	47,323	1,896,185
Operating transfers out	(619,913)	(596,201)	(380,025)	(2,404,233)
Other financing uses	-	-	-	(1,313)
Total other financing sources (uses)	<u>(388,480)</u>	<u>307,964</u>	<u>(332,702)</u>	<u>(509,361)</u>
Net Change in Fund Balances	<u>963,493</u>	<u>11,409</u>	<u>(588,935)</u>	<u>(1,140,804)</u>
Fund Balances:				
July 1	<u>2,268,866</u>	<u>2,257,457</u>	<u>2,846,392</u>	<u>3,987,196</u>
June 30	<u>\$ 3,232,359</u>	<u>\$ 2,268,866</u>	<u>\$ 2,257,457</u>	<u>\$ 2,846,392</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

QUITMAN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Last Four Years
UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:				
Local sources	\$ 4,567,373	\$ 4,046,584	\$ 3,814,287	\$ 3,594,036
State sources	9,094,303	8,837,441	10,110,679	11,035,294
Federal sources	4,679,544	5,799,183	3,467,369	3,197,521
Sixteenth section sources	881,098	1,267,181	857,250	744,787
Total Revenues	<u>19,222,318</u>	<u>19,950,389</u>	<u>18,249,585</u>	<u>18,571,638</u>
Expenditures:				
Instruction	9,225,068	10,972,923	10,193,545	10,202,433
Support services	6,906,517	6,825,527	6,517,918	7,257,742
Noninstructional services	1,256,887	1,199,012	1,320,559	1,292,949
Sixteenth section	256,378	110,663	89,887	22,863
Facilities acquisition and construction	83,623	510,183	994,085	2,878,610
Debt service:				
Principal	175,924	165,924	160,924	305,924
Interest	134,584	142,334	149,834	161,096
Other	22,063	1,100	1,100	-
Total Expenditures	<u>18,061,044</u>	<u>19,927,666</u>	<u>19,427,852</u>	<u>22,121,617</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,161,274</u>	<u>22,723</u>	<u>(1,178,267)</u>	<u>(3,549,979)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	1,500,000	-	-	-
Insurance loss recoveries	14,001	3,495	-	-
Operating transfers in	875,684	1,525,641	1,277,400	2,922,219
Operating transfers out	(875,684)	(1,525,641)	(1,277,400)	(2,922,219)
Other financing uses	-	-	-	(1,313)
Total other financing sources (uses)	<u>1,514,001</u>	<u>3,495</u>	<u>-</u>	<u>(1,313)</u>
Net Change in Fund Balances	<u>2,675,275</u>	<u>26,218</u>	<u>(1,178,267)</u>	<u>(3,551,292)</u>
Fund Balances:				
July 1	4,723,393	4,699,971	5,871,751	9,423,043
Increase (decrease) in reserve for inventory	1,953	(2,796)	6,487	-
	<u>4,725,346</u>	<u>4,697,175</u>	<u>5,878,238</u>	<u>9,423,043</u>
June 30	<u>\$ 7,400,621</u>	<u>\$ 4,723,393</u>	<u>\$ 4,699,971</u>	<u>\$ 5,871,751</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Quitman School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2011, which collectively comprise the Quitman School District's basic financial statements and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the Quitman School District in a separate letter dated October 24, 2011.

This report is intended solely for the information and use of the school board, management, other within the entity, entities with accreditation overview, 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.



Stephen D. Myrick
Certified Public Accountant

October 24, 2011
Quitman, Mississippi

Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Quitman School District

Compliance

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

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

Internal Control Over Compliance

Management of the Quitman 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 Quitman 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 Quitman School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a

timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of control deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the school board, management, others within the entity, entities with accreditation overview, 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.



Stephen D. Myrick
Certified Public Accountant

October 24, 2011
Quitman, Mississippi

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

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Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

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

Superintendent and School Board
Quitman School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2011, which collectively comprise Quitman School District's basic financial statements and have issued our report thereon dated October 24, 2011. 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 \$0 of classroom supply funds carried over from previous years.

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

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

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

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

1. Finding

Section 31-7-13(c)(i)(3) requires all purchases of commodities in excess of \$25,000 involving American Recovery and Reinvestment Act (ARRA) funds to be advertised and bid in accordance the requirements set forth in this section of the state statute. As a result of our audit procedures, we observed one instance where the school district obtained two quotes for a purchase involving ARRA funds in excess of \$25,000 and did not properly advertise and bid as required by state statute.

Recommendation

We recommend that the school district fulfill the requirements of Section 31-7-13(c)(i)(3) which require all purchases in excess of \$25,000 involving ARRA funds to be advertised and bid.

Response

It is hereby acknowledged that one purchase made with ARRA Part B funds was in excess of \$25,000 and was not bid by the Quitman School District. During an internal review by district personnel, the bid issue was discovered on June 29, 2011 and was documented as such at the time of discovery. However, it should be noted that proper procedures were made to expend funds of the federal government in a conscientious manner. The products purchased were on the state EPL and the EPL number was listed on the purchase order. In addition, the school district also secured two separate quotes on the products purchased and awarded the purchase to the vendor with the lowest quote. In the future, Quitman School District will follow a strict bid procedure for ARRA expenditures over \$25,000.

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

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

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



Stephen D. Myrick
Certified Public Accountant

October 24, 2011
Quitman, Mississippi

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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QUITMAN SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
June 30, 2011**

Section I: Summary of Auditor's Results

Financial Statements: Unqualified

1. Type of auditor's report issued:

2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? 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(ies) identified? None reported

5. Type of auditor's report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Title I Cluster:
84.010	Title I - grants to local educational agencies
84.389	ARRA – Title I - grants to local educational agencies, Recovery Act
	Special Education Cluster:
84.027	Special education – grants to states
84.173	Special education – preschool grants
84.391	ARRA – Special education - grants to states, Recovery Act
84.392	ARRA – Special education – preschool grants, Recovery Act
84.394	ARRA – State Fiscal Stabilization Fund – Education state grants, Recovery Act
84.410	Education Jobs Fund

QUITMAN SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
June 30, 2011**

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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