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**SCOTT COUNTY SCHOOL DISTRICT**

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

**SCOTT COUNTY SCHOOL DISTRICT  
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**FINANCIAL AUDIT REPORT**



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

Superintendent and School Board  
Scott County School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2013, on our consideration of the Scott County 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi

August 20, 2013

*Watkins, Ward and Stafford, PLLC*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The discussion and analysis of Scott County School District's financial performance provides an overall narrative review 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 should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

### FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$1,560,662, including a prior period adjustment of \$39,078 which represents a 7.5% increase from fiscal year 2010. Total net assets for 2010 decreased \$336,692, including a prior period adjustment of \$(36,731), which represents a 1.6% decrease from fiscal year 2009.
- General revenues amounted to \$21,237,749 and \$21,301,890, or 74% and 76% 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 \$7,271,964, or 26% of total revenues for 2011, and \$6,671,794, or 24% of total revenues for 2010.
- The District had \$26,988,129 and \$28,273,645 in expenses for fiscal years 2011 and 2010; only \$7,271,964 for 2011 and \$6,671,794 for 2010 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$21,237,749 for 2011 were adequate to provide for these programs. General revenues of \$21,301,890 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,217,163 in revenues and \$19,024,524 in expenditures for 2011, and \$20,037,159 in revenues and \$19,670,278 in expenditures in 2010. The General Fund's fund balance increased by \$580,766, including a prior period adjustment of (\$17,770), from 2010 to 2011, and decreased by \$662,143, including a prior period adjustment of \$(37,583), from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$63,392 for 2011 and decreased by \$143,013 for 2010. The increase for 2011 was due to the purchase of building improvements, mobile equipment, furniture and equipment, as well as additional work on an ongoing construction project.
- Long-term debt increased by \$23,231 for 2011 and increased by \$5,618 for 2010. During 2011, the District made principal payments on outstanding long-term debt in the amount of \$2,140. In addition, the liability for compensated absences increased by \$25,371 for 2011.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's balance sheet is reconciled to the statement of net assets, and the governmental fund's 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 fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process.

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.

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.

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

Also, included in the other supplemental information section are 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. This information 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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$22,411,991 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.

| <b>Table 1</b>                                  |                      | <b>Condensed Statement of Net Assets</b> |               | <b>Percentage</b> |
|---|----------------------|--|---------------|-------------------|
|   | <b>June 30, 2011</b> | <b>June 30, 2010</b>                     | <b>Change</b> |                   |
| Current assets                                  | \$ 7,617,806         | \$ 6,118,709                             | 24.5          | %                 |
| Restricted assets                               | 67,106               | 67,106                                   | 0.0           | %                 |
| Capital assets, net                             | 15,147,236           | 15,083,844                               | 0.4           | %                 |
| <b>Total assets</b>                             | <b>22,832,148</b>    | <b>21,269,659</b>                        | <b>7.3</b>    | <b>%</b>          |
| <br>  |                      |  |               |                   |
| Current liabilities                             | 194,485              | 215,889                                  | (9.9)         | %                 |
| Long-term debt outstanding                      | 225,672              | 202,441                                  | 11.5          | %                 |
| <b>Total liabilities</b>                        | <b>420,157</b>       | <b>418,330</b>                           | <b>0.4</b>    | <b>%</b>          |
| <br>  |                      |  |               |                   |
| <b>Net assets:</b>                              |                      |  |               |                   |
| Invested in capital assets, net of related debt | 15,147,236           | 15,081,704                               | 0.4           | %                 |
| Restricted                                      | 3,361,552            | 2,421,817                                | 38.8          | %                 |
| Unrestricted                                    | 3,903,203            | 3,347,808                                | 16.6          | %                 |
| <b>Total net assets</b>                         | <b>\$ 22,411,991</b> | <b>\$ 20,851,329</b>                     | <b>7.5</b>    | <b>%</b>          |

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

- Increase in net capital assets in the amount of \$63,392.
- The principal retirement of \$2,140 of long-term debt.
- Increase in the liability for compensated absences in the amount of \$25,371.

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

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$28,509,713 and \$27,973,684, respectively. The total cost of all programs and services was \$26,988,129 for 2011 and \$28,273,645 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**  
**Change(s) in Net Assets**

|   | <u>Year Ended</u><br><u>June 30, 2011</u> | <u>Year Ended</u><br><u>June 30, 2010</u> | <u>Percentage</u><br><u>Change</u> |
|---|---|---|------------------------------------|
| <b>Revenues:</b>                                    |   |   |                                    |
| Program revenues:                                   |   |   |                                    |
| Charges for services                                | \$ 1,068,340                              | \$ 883,188                                | 21.0 %                             |
| Operating grants and contributions                  | 6,203,624                                 | 5,788,606                                 | 7.2 %                              |
| General revenues:                                   |   |   |                                    |
| Property taxes                                      | 2,704,816                                 | 2,310,490                                 | 17.1 %                             |
| Grants and contributions not restricted             | 17,895,712                                | 18,316,137                                | (2.3) %                            |
| Investment earnings                                 | 33,120                                    | 88,239                                    | (62.5) %                           |
| Sixteenth section sources                           | 592,632                                   | 531,726                                   | 11.5 %                             |
| Other   | 11,469                                    | 55,298                                    | (79.3) %                           |
| <b>Total revenues</b>                               | <u><b>28,509,713</b></u>                  | <u><b>27,973,684</b></u>                  | <b>1.9 %</b>                       |
| <b>Expenses:</b>                                    |   |   |                                    |
| Instruction   | 16,250,737                                | 17,347,485                                | (6.3) %                            |
| Support services                                    | 8,500,197                                 | 8,645,855                                 | (1.7) %                            |
| Non-instructional                                   | 2,197,485                                 | 2,226,332                                 | (1.3) %                            |
| Sixteenth section                                   | 39,693                                    | 53,332                                    | (25.6) %                           |
| Interest and other expense on long-term liabilities | 17  | 641                                       | (97.3) %                           |
| <b>Total expenses</b>                               | <u><b>26,988,129</b></u>                  | <u><b>28,273,645</b></u>                  | <b>(4.5) %</b>                     |
| <b>Increase (Decrease) in net assets</b>            | <u><b>1,521,584</b></u>                   | <u><b>(299,961)</b></u>                   | <b>607.3 %</b>                     |
| <b>Net Assets, July 1</b>                           | <u><b>20,851,329</b></u>                  | <u><b>21,188,021</b></u>                  | <b>(1.6) %</b>                     |
| <b>Prior Period Adjustment(s)</b>                   | <u><b>39,078</b></u>                      | <u><b>(36,731)</b></u>                    | <b>206.4 %</b>                     |
| <b>Net Assets Restated, July 1</b>                  | <u><b>20,890,407</b></u>                  | <u><b>21,151,290</b></u>                  | <b>(1.2) %</b>                     |
| <b>Net Assets, June 30</b>                          | <u><u><b>\$ 22,411,991</b></u></u>        | <u><u><b>\$ 20,851,329</b></u></u>        | <b>7.5 %</b>                       |

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

**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**

|                                   | <b>Total Expenses</b> |                      | <b>Percentage<br/>Change</b> |
|-----------------------------------|-----------------------|----------------------|------------------------------|
|                                   | <b>2011</b>           | <b>2010</b>          |                              |
| Instruction                       | \$ 16,250,737         | \$ 17,347,485        | (6.3) %                      |
| Support services                  | 8,500,197             | 8,645,855            | (1.7) %                      |
| Non-instructional                 | 2,197,485             | 2,226,332            | (1.3) %                      |
| Sixteenth section                 | 39,693                | 53,332               | (25.6) %                     |
| Interest on long-term liabilities | 17                    | 641                  | (97.3) %                     |
| <b>Total expenses</b>             | <b>\$ 26,988,129</b>  | <b>\$ 28,273,645</b> | <b>(4.5) %</b>               |

|                                    | <b>Net (Expense) Revenue</b> |                        | <b>Percentage<br/>Change</b> |
|------------------------------------|------------------------------|------------------------|------------------------------|
|                                    | <b>2011</b>                  | <b>2010</b>            |                              |
| Instruction                        | \$ (12,474,895)              | \$ (13,814,095)        | (9.7) %                      |
| Support services                   | (7,355,026)                  | (7,744,227)            | (5.0) %                      |
| Non-instructional                  | 76,196                       | (45,328)               | (268.1) %                    |
| Sixteenth section                  | 37,577                       | 2,440                  | (1,440.0) %                  |
| Interest on long-term liabilities  | (17)                         | (641)                  | (97.3) %                     |
| <b>Total net (expense) revenue</b> | <b>\$ (19,716,165)</b>       | <b>\$ (21,601,851)</b> | <b>(8.7) %</b>               |

- Net cost of governmental activities in the amount of \$19,716,165 for 2011 and \$21,601,851 for 2010 was financed by general revenue, which is made up of primarily property taxes of \$2,704,816 for 2011 and \$2,310,490 for 2010 and state and federal revenues of \$17,895,712 for 2011 and \$18,316,137 for 2010. In addition, there was \$592,632 and \$531,726 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$33,120 for 2011 and \$88,239 for 2010.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,490,427, an increase of \$1,520,501, which includes a prior period adjustment of \$39,078 and an increase in reserve for inventory of \$2,206. \$3,889,468, or 52%, of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$3,600,959, or 48%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund

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

balance is reserved for advances, inventory, capital projects, unemployment benefits, forestry improvement purposes and permanent fund purposes.

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 \$580,766, including a prior period adjustment of \$(17,770). The fund balance of Other Governmental Funds showed an increase in the amount of \$360,236, which includes a prior period adjustment of \$56,848 and an increase in reserve for inventory of \$2,206. The increase (decrease) in the fund balances for the other major funds were as follows:

| <u>Major Fund</u>               | <u>Increase (Decrease)</u> |
|---------------------------------|----------------------------|
| Title I Low Fund                | no increase or decrease    |
| ARRA Part B Fund                | no increase or decrease    |
| IDEA Part B Fund                | no increase or decrease    |
| Sixteenth Section Interest Fund | \$ 579,499                 |

**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. By statute, final budget revisions must be approved on or before October 15. However, the final amended budget for fiscal year ended June 30, 2011 was not officially approved by the school board. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information. The final budgeted amounts and the original budgeted amounts in the budgetary comparison schedules are zero because the district did not approve an original combining budget or a final amended budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$26,539,534, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$687,972 from 2010 which is due primarily to the purchase of two new school buses, five copy machines, six ovens, and various building improvements and construction projects. During the fiscal year, the District disposed of three items of mobile equipment and several items of furniture and equipment. Total accumulated depreciation as of June 30, 2011, was \$11,392,298, and total depreciation expense for the year was \$687,845, resulting in total net capital assets of \$15,147,236.

**Table 4  
Capital Assets**

|                                      | <u>June 30, 2011</u> | <u>June 30, 2010</u> | <u>Percentage<br/>Change</u> |
|--------------------------------------|----------------------|----------------------|------------------------------|
| Land                                 | \$ 101,700           | \$ 101,700           | 0.0 %                        |
| Construction in Progress             | 165,940              | 18,633               | 790.6 %                      |
| Buildings                            | 12,480,783           | 12,825,870           | (2.7) %                      |
| Building improvements                | 203,804              | 23,072               | 783.3 %                      |
| Improvements other than buildings    | 342,356              | 354,430              | (3.4) %                      |
| Mobile equipment                     | 1,427,437            | 1,468,712            | (2.8) %                      |
| Furniture and equipment              | 425,216              | 274,989              | 54.6 %                       |
| Leased property under capital leases | -                    | 16,438               | (100.0) %                    |
| <b>Total</b>                         | <u>\$ 15,147,236</u> | <u>\$ 15,083,844</u> | <b>0.4 %</b>                 |

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

**Debt Administration.** At June 30, 2011, the District had \$225,672 in outstanding long-term debt, none of which is due within one year. The District made principal payments totaling \$2,140 on outstanding long-term debt during the fiscal year. The liability for compensated absences increased \$25,371 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

|                                  | <u>June 30, 2011</u> | <u>June 30, 2010</u> | <u>Percentage<br/>Change</u> |
|----------------------------------|----------------------|----------------------|------------------------------|
| Obligations under capital leases | \$ -                 | \$ 2,140             | (100.0) %                    |
| Compensated absences payable     | 225,672              | 200,301              | 12.7 %                       |
| <b>Total</b>                     | <b>\$ 225,672</b>    | <b>\$ 202,441</b>    | <b>11.5 %</b>                |

**CURRENT ISSUES**

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Scott County School District, 100 E. First Street, Forest, MS 39074.

**SCOTT COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**SCOTT COUNTY SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2011**

**Exhibit A**

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                                    |                            |
| Cash and cash equivalents                        | \$ 6,115,277               |
| Investments                                      | 500,000                    |
| Due from other governments                       | 783,379                    |
| Other receivables, net                           | 183,266                    |
| Inventories                                      | 35,884                     |
| Restricted assets                                | 67,106                     |
| Capital assets, non-depreciable:                 |                            |
| Land   | 101,700                    |
| Construction in progress                         | 165,940                    |
| Capital assets, net of accumulated depreciation: |                            |
| Buildings  | 12,480,783                 |
| Building improvements                            | 203,804                    |
| Improvements other than buildings                | 342,356                    |
| Mobile equipment                                 | 1,427,437                  |
| Furniture and equipment                          | 425,216                    |
| Total Assets                                     | <u>22,832,148</u>          |
| <b>Liabilities</b>                               |                            |
| Accounts payable and accrued liabilities         | 171,392                    |
| Unearned revenue                                 | 23,093                     |
| Long-term liabilities, due beyond one year:      |                            |
| Non-capital related liabilities                  | 225,672                    |
| Total Liabilities                                | <u>420,157</u>             |
| <b>Net Assets</b>                                |                            |
| Invested in capital assets, net of related debt  | 15,147,236                 |
| Restricted for:                                  |                            |
| Expendable:                                      |                            |
| School-based activities                          | 2,947,062                  |
| Capital improvements                             | 62,951                     |
| Forestry improvements                            | 210,844                    |
| Unemployment benefits                            | 71,901                     |
| Non-expendable:                                  |                            |
| Sixteenth section                                | 68,794                     |
| Unrestricted                                     | 3,903,203                  |
| Total Net Assets                                 | <u>\$ 22,411,991</u>       |

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

SCOTT COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

| Functions/Programs                   | Expenses             | Program Revenues     |                                    |                                  | Governmental Activities | Net (Expense) Revenue and Changes in Net Assets |
|--------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------|---|
|                                      |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |                         |   |
| Governmental Activities:             |                      |                      |                                    |                                  |                         |   |
| Instruction                          | \$ 16,250,737        | \$ 432,806           | \$ 3,343,036                       | \$                               | \$ (12,474,895)         |   |
| Support services                     | 8,500,197            | 144,323              | 1,000,848                          |                                  | (7,355,026)             |   |
| Non-instructional                    | 2,197,485            | 413,941              | 1,859,740                          |                                  | 76,196                  |   |
| Sixteenth section                    | 39,693               | 77,270               |                                    |                                  | 37,577                  |   |
| Interest on long-term liabilities    | 17                   |                      |                                    |                                  | (17)                    |   |
| <b>Total Governmental Activities</b> | <b>\$ 26,988,129</b> | <b>\$ 1,068,340</b>  | <b>\$ 6,203,624</b>                | <b>\$ 0</b>                      | <b>\$ (19,716,165)</b>  |   |

General Revenues:

Taxes:

General purpose levies

2,704,816

Unrestricted grants and contributions:

State

16,139,423

Federal

1,756,289

Unrestricted investment earnings

33,120

Sixteenth section sources

592,632

Other

11,469

Total General Revenues

21,237,749

Change in Net Assets

1,521,584

Net Assets - Beginning, as originally reported

20,851,329

Prior Period Adjustments

39,078

Net Assets - Beginning, as restated

20,890,407

Net Assets - Ending

\$ 22,411,991

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

SCOTT COUNTY SCHOOL DISTRICT  
 Governmental Funds  
 Balance Sheet  
 June 30, 2011

Exhibit C

|  | Major Funds         |                   |                     |                     |                               |                                | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|---------------------|---------------------|-------------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund     | Title 1<br>Fund   | ARRA Part B<br>Fund | IDEA Part B<br>Fund | 16th Section<br>Interest Fund | Other<br>Governmental<br>Funds |                                |
| <b>Assets</b>                              |                     |                   |                     |                     |                               |                                |                                |
| Cash and cash equivalents                  | \$ 3,308,635        | \$                | \$                  | \$                  | \$ 2,103,193                  | \$ 710,555                     | \$ 6,122,383                   |
| Investments                                |                     |                   |                     |                     | 500,000                       | 60,000                         | 560,000                        |
| Due from other governments                 | 430,711             | 146,557           | 62,286              | 115,166             |                               | 28,659                         | 783,379                        |
| Due from other funds                       | 558,642             |                   |                     |                     | 5,415                         |                                | 564,057                        |
| Advance to other funds                     |                     |                   |                     |                     |                               | 3,000                          | 3,000                          |
| Inventories                                |                     |                   |                     |                     |                               | 35,884                         | 35,884                         |
| <b>Total assets</b>                        | <b>\$ 4,297,988</b> | <b>\$ 146,557</b> | <b>\$ 62,286</b>    | <b>\$ 115,166</b>   | <b>\$ 2,608,608</b>           | <b>\$ 838,098</b>              | <b>\$ 8,068,703</b>            |
| <b>Liabilities and Fund Balances</b>       |                     |                   |                     |                     |                               |                                |                                |
| <b>Liabilities:</b>                        |                     |                   |                     |                     |                               |                                |                                |
| Accounts payable and accrued liabilities   | \$ 128,943          | \$                | \$                  | \$ 19,855           | \$ 22,594                     | \$                             | \$ 171,392                     |
| Due to other funds                         | 40,170              | 146,557           | 62,286              | 95,311              |                               | 36,467                         | 380,791                        |
| Advances from other funds                  |                     |                   |                     |                     | 3,000                         |                                | 3,000                          |
| Unearned revenue                           |                     |                   |                     |                     |                               | 23,093                         | 23,093                         |
| <b>Total Liabilities</b>                   | <b>169,113</b>      | <b>146,557</b>    | <b>62,286</b>       | <b>115,166</b>      | <b>25,594</b>                 | <b>59,560</b>                  | <b>578,276</b>                 |
| <b>Fund Balances:</b>                      |                     |                   |                     |                     |                               |                                |                                |
| <b>Nonspendable:</b>                       |                     |                   |                     |                     |                               |                                |                                |
| Inventory                                  |                     |                   |                     |                     |                               | 35,884                         | 35,884                         |
| Permanent fund principal                   |                     |                   |                     |                     |                               | 65,794                         | 65,794                         |
| Advances                                   |                     |                   |                     |                     |                               | 3,000                          | 3,000                          |
| <b>Restricted:</b>                         |                     |                   |                     |                     |                               |                                |                                |
| Capital projects                           |                     |                   |                     |                     |                               | 62,951                         | 62,951                         |
| Forestry improvement purposes              |                     |                   |                     |                     |                               | 210,844                        | 210,844                        |
| Grant activities                           |                     |                   |                     |                     |                               | 327,954                        | 327,954                        |
| Unemployment benefits                      |                     |                   |                     |                     |                               | 71,901                         | 71,901                         |
| Sixteenth Section                          |                     |                   |                     |                     | 2,583,014                     |                                | 2,583,014                      |
| <b>Assigned:</b>                           |                     |                   |                     |                     |                               |                                |                                |
| Activity Funds                             | 239,407             |                   |                     |                     |                               |                                | 239,407                        |
| Other purposes                             |                     |                   |                     |                     |                               | 210                            | 210                            |
| <b>Unassigned</b>                          |                     |                   |                     |                     |                               |                                |                                |
| Total Fund Balances                        | 3,889,468           |                   |                     |                     |                               |                                | 3,889,468                      |
| Total Fund Balances                        | 4,128,875           | 0                 | 0                   | 0                   | 2,583,014                     | 778,538                        | 7,490,427                      |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 4,297,988</b> | <b>\$ 146,557</b> | <b>\$ 62,286</b>    | <b>\$ 115,166</b>   | <b>\$ 2,608,608</b>           | <b>\$ 838,098</b>              | <b>\$ 8,068,703</b>            |

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

SCOTT COUNTY SCHOOL DISTRICT  
Governmental Funds

Exhibit C-1

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

Total fund balances for governmental funds \$ 7,490,427

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

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

|                                   |                     |            |
|-----------------------------------|---------------------|------------|
| Land                              | 101,700             |            |
| Construction in progress          | 165,940             |            |
| Buildings                         | 20,074,669          |            |
| Building improvements             | 228,318             |            |
| Improvements other than buildings | 905,863             |            |
| Mobile equipment                  | 4,080,514           |            |
| Furniture and equipment           | 982,530             |            |
| Accumulated depreciation          | <u>(11,392,298)</u> | 15,147,236 |

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

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Compensated absences payable | <u>(225,672)</u> | <u>(225,672)</u> |
|------------------------------|------------------|------------------|

Net assets of governmental activities \$ 22,411,991

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

SCOTT COUNTY SCHOOL DISTRICT  
Governmental Funds

Exhibit D

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

|  | General Fund        | Major Funds      |                  |                  |                            | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|------------------|------------------|----------------------------|--------------------------|--------------------------|
|  |                     | Title 1 Fund     | ARRA Part B Fund | IDEA Part B Fund | 16th Section Interest Fund |                          |                          |
| <b>Revenues:</b>   |                     |                  |                  |                  |                            |                          |                          |
| Local sources  | \$ 3,177,228        | \$               | \$               | \$               | \$                         | 416,330                  | \$ 3,593,558             |
| State sources  | 16,334,582          |                  |                  |                  |                            | 570,158                  | 16,904,740               |
| Federal sources  | 705,353             | 1,120,096        | 317,448          | 734,001          |                            | 4,317,698                | 7,194,596                |
| Sixteenth section sources  |                     |                  |                  |                  | 591,231                    | 78,671                   | 669,902                  |
| <b>Total Revenues</b>  | <b>20,217,163</b>   | <b>1,120,096</b> | <b>317,448</b>   | <b>734,001</b>   | <b>591,231</b>             | <b>5,382,857</b>         | <b>28,362,796</b>        |
| <b>Expenditures:</b>   |                     |                  |                  |                  |                            |                          |                          |
| Instruction  | 11,181,482          | 916,316          | 150,672          | 466,871          |                            | 3,199,175                | 15,914,516               |
| Support services   | 7,602,710           | 197,807          | 166,776          | 268,957          |                            | 462,671                  | 8,698,921                |
| Noninstructional services  | 90,868              | 13,948           |                  |                  |                            | 2,127,585                | 2,232,401                |
| Sixteenth section  |                     |                  |                  |                  | 11,732                     | 27,961                   | 39,693                   |
| Facilities acquisition and construction                          | 147,307             |                  |                  |                  |                            |                          | 147,307                  |
| Debt service:  |                     |                  |                  |                  |                            |                          |                          |
| Principal  | 2,140               |                  |                  |                  |                            |                          | 2,140                    |
| Interest   | 17                  |                  |                  |                  |                            |                          | 17                       |
| <b>Total Expenditures</b>  | <b>19,024,524</b>   | <b>1,128,071</b> | <b>317,448</b>   | <b>735,828</b>   | <b>11,732</b>              | <b>5,817,392</b>         | <b>27,034,995</b>        |
| <b>Excess (Deficiency) of Revenues over (under) Expenditures</b> | <b>1,192,639</b>    | <b>(7,975)</b>   | <b>0</b>         | <b>(1,827)</b>   | <b>579,499</b>             | <b>(434,535)</b>         | <b>1,327,801</b>         |
| <b>Other Financing Sources (Uses):</b>                           |                     |                  |                  |                  |                            |                          |                          |
| Insurance recovery   | 144,323             |                  |                  |                  |                            |                          | 144,323                  |
| Sale of transportation equipment                                 | 7,093               |                  |                  |                  |                            |                          | 7,093                    |
| Operating transfers in   | 11,815              | 19,790           |                  | 1,827            |                            | 735,717                  | 769,149                  |
| Operating transfers out  | (757,334)           | (11,815)         |                  |                  |                            |                          | (769,149)                |
| <b>Total Other Financing Sources (Uses)</b>                      | <b>(594,103)</b>    | <b>7,975</b>     | <b>0</b>         | <b>1,827</b>     | <b>0</b>                   | <b>735,717</b>           | <b>151,416</b>           |
| <b>Net Change in Fund Balances</b>                               | <b>598,536</b>      | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>579,499</b>             | <b>301,182</b>           | <b>1,479,217</b>         |
| <b>Fund Balances:</b>  |                     |                  |                  |                  |                            |                          |                          |
| July 1, 2010, as originally reported                             | 3,548,109           |                  |                  |                  | 2,003,515                  | 418,302                  | 5,969,926                |
| Prior period adjustments   | (17,770)            |                  |                  |                  |                            | 56,848                   | 39,078                   |
| July 1, 2010, as restated  | 3,530,339           | 0                | 0                | 0                | 2,003,515                  | 475,150                  | 6,009,004                |
| Increase in reserve for inventory                                |                     |                  |                  |                  |                            | 2,206                    | 2,206                    |
| <b>June 30, 2011</b>   | <b>\$ 4,128,875</b> | <b>\$ 0</b>      | <b>\$ 0</b>      | <b>\$ 0</b>      | <b>\$ 2,583,014</b>        | <b>\$ 778,538</b>        | <b>\$ 7,490,427</b>      |

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

**SCOTT COUNTY SCHOOL DISTRICT  
Governmental Funds**

**Exhibit D-1**

**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**

**Net change in fund balances - total governmental funds** **\$ 1,479,217**

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       | \$ 755,736       |        |
| Depreciation expense | <u>(687,845)</u> | 67,891 |

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. (4,499)

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

|                            |              |       |
|----------------------------|--------------|-------|
| Payments of debt principal | <u>2,140</u> | 2,140 |
|----------------------------|--------------|-------|

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

|                                |              |          |
|--------------------------------|--------------|----------|
| Change in compensated absences | (25,371)     |          |
| Change in inventory reserve    | <u>2,206</u> | (23,165) |

**Change in net assets of governmental activities** **\$ 1,521,584**

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2011**

**Exhibit E**

|  | Agency<br>Funds     |
|--|---------------------|
| <b>Assets</b>                            |                     |
| Cash and cash equivalents                | \$ 1,057,152        |
| Due from other funds                     | 38,898              |
| Total Assets                             | <u>\$ 1,096,050</u> |
| <b>Liabilities</b>                       |                     |
| Accounts payable and accrued liabilities | \$ 725,142          |
| Due to other funds                       | 222,164             |
| Due to student clubs                     | 148,744             |
| Total Liabilities                        | <u>\$ 1,096,050</u> |

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

## SCOTT COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the 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 is elected by the citizens of each defined county district.

For financial reporting purposes, Scott County 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.

## SCOTT COUNTY SCHOOL DISTRICT

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

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title 1 Fund- This is a special revenue fund used to account for revenues and expenditures of the federal program which is used to improve the teaching and learning of children most at-risk of failing in order to meet the challenging state academic standards. The program allows the district to upgrade the overall instructional program of the schools.

ARRA Part B Fund- This is a special revenue fund used to account for federal funds received under the American Recovery and Reinvestment Act (ARRA), which provides additional funding for programs under Part B of IDEA to assist the District in providing a free appropriate public education to all children with disabilities.

IDEA Part B Fund- This is a special revenue fund used to account for funds received from the "Individuals with Disabilities Education Act" to provide a free appropriate public education to all children with disabilities.

16th Section Interest Fund- This is a special revenue fund which serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are transferred to the district's General Fund per specific statutory board order.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund- This fund serves as a clearing fund for payroll type transactions.

Student Club Funds- These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing- This fund serves as a clearing fund for accounts payable type transactions.

## SCOTT COUNTY SCHOOL DISTRICT

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

#### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability 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.

## SCOTT COUNTY SCHOOL DISTRICT

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

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.

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.

## SCOTT COUNTY SCHOOL DISTRICT

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

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

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

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

**SCOTT COUNTY SCHOOL DISTRICT**

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

The following schedule details the capitalization thresholds:

|                                   | <u>Capitalization<br/>Policy</u> | <u>Estimated<br/>Useful Life</u> |
|-----------------------------------|----------------------------------|----------------------------------|
| 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                        |

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.

## SCOTT COUNTY SCHOOL DISTRICT

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the school board. There are currently no committed fund balances reported by the school district.

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

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

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

#### **Note 2 – Cash and Cash Equivalents and Investments**

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

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

**SCOTT COUNTY SCHOOL DISTRICT**

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 6,682,383 (which includes \$ 560,000 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$1,057,152, respectively. The bank balance was \$8,549,909.

*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 \$8,549,909 was exposed to custodial credit risk.

**Investments**

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

| Investment Type         | Maturities<br>(in years) | Fair Value |
|-------------------------|--------------------------|------------|
| Certificates of deposit | One year                 | \$ 560,000 |
| Total                   |                          | \$ 560,000 |

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

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

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

**SCOTT COUNTY SCHOOL DISTRICT**

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

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

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

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

| Receivable Fund            | Payable Fund             | Amount            |
|----------------------------|--------------------------|-------------------|
| General Fund               | Title 1 Fund             | \$ 146,557        |
| General Fund               | ARRA Part B Fund         | 62,286            |
| General Fund               | IDEA Part B Fund         | 95,311            |
| General Fund               | Other governmental funds | 32,324            |
| General Fund               | Fiduciary funds          | 222,164           |
| 16th Section Interest Fund | General Fund             | 2,078             |
| 16th Section Interest Fund | Other governmental funds | 3,337             |
| Fiduciary funds            | General Fund             | 38,092            |
| Fiduciary funds            | Other governmental funds | 806               |
| Total                      |                          | <u>\$ 602,955</u> |

The interfund loans were made primarily to cover the initial payments of reimbursable expenditures of federal and state programs.

**B. Advances To/From Other Funds**

| Receivable Fund          | Payable Fund                    | Amount          |
|--------------------------|---------------------------------|-----------------|
| Other governmental funds | Sixteenth section interest fund | \$ 3,000        |
| Total                    |                                 | <u>\$ 3,000</u> |

The advance represents an easement deposited in the Sixteenth Section Interest Fund but due to the Sixteenth Section Principal Fund (other governmental fund) during the 2008-2009 fiscal year.

**C. Inter-fund Transfers**

| Transfers Out | Transfers In             | Amount            |
|---------------|--------------------------|-------------------|
| General Fund  | Title 1 Fund             | \$ 19,790         |
| General Fund  | IDEA Part B Fund         | 1,827             |
| General Fund  | Other governmental funds | 735,717           |
| Title 1 Fund  | General Fund             | 11,815            |
| Total         |                          | <u>\$ 769,149</u> |

Operating transfers were primarily for the transfer of indirect costs to the General fund and the transfer of funds to cover expenditures in the Vocational Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and investment balance, totaling \$ 7,106 and \$60,000 respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

**SCOTT COUNTY SCHOOL DISTRICT**

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

**Note 5 – Capital Assets**

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

| Governmental Activities:                    | Balance<br>7/1/2010 | Additions | Retirements | Adjustments* | Balance<br>6/30/2011 |
|---|---------------------|-----------|-------------|--------------|----------------------|
| <u>Non-depreciable capital assets:</u>      |                     |           |             |              |                      |
| Land  | \$ 101,700          |           |             |              | 101,700              |
| Construction in progress                    | 18,633              | 147,307   |             |              | 165,940              |
| Total non-depreciable capital assets        | 120,333             | 147,307   | -           | -            | 267,640              |
| <u>Depreciable capital assets</u>           |                     |           |             |              |                      |
| Buildings                                   | 20,074,669          |           |             |              | 20,074,669           |
| Building improvements                       | 38,453              | 189,865   |             |              | 228,318              |
| Improvements other than buildings           | 905,863             |           |             |              | 905,863              |
| Mobile equipment                            | 3,951,871           | 171,100   | (42,457)    |              | 4,080,514            |
| Furniture and equipment                     | 722,524             | 247,464   | (25,307)    | 37,849       | 982,530              |
| Leased property under capital lease         | 37,849              |           |             | (37,849)     | -                    |
| Total depreciable capital assets            | 25,731,229          | 608,429   | (67,764)    | -            | 26,271,894           |
| <u>Less accumulated depreciation for:</u>   |                     |           |             |              |                      |
| Buildings                                   | 7,248,799           | 345,087   |             |              | 7,593,886            |
| Building improvements                       | 15,381              | 9,133     |             |              | 24,514               |
| Improvements other than buildings           | 551,433             | 12,074    |             |              | 563,507              |
| Mobile equipment                            | 2,483,159           | 208,130   | (38,212)    |              | 2,653,077            |
| Furniture and equipment                     | 447,535             | 113,421   | (25,053)    | 21,411       | 557,314              |
| Leased property under capital lease         | 21,411              |           |             | (21,411)     | -                    |
| Total accumulated depreciation              | 10,767,718          | 687,845   | (63,265)    | -            | 11,392,298           |
| Total depreciable capital assets, net       | 14,963,511          | (79,416)  | (4,499)     | -            | 14,879,596           |
| Governmental activities capital assets, net | \$ 15,083,844       | 67,891    | (4,499)     | -            | 15,147,236           |

\*Adjustments were needed to properly reclassify the cost and accumulated depreciation for leased property under capital leases transferred to furniture and equipment.

Depreciation expense was charged to the following governmental functions:

| Governmental activities:                             | Amount     |
|--|------------|
| Instruction  | \$ 372,758 |
| Support services                                     | 273,002    |
| Non-instructional                                    | 42,085     |
| Total depreciation expense - Governmental activities | \$ 687,845 |

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.

**SCOTT COUNTY SCHOOL DISTRICT**

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

Construction in progress is composed of:

|  | <u>Spent to</u><br><u>June 30, 2011</u> | <u>Remaining</u><br><u>Commitment</u> |
|--|---|---------------------------------------|
| Governmental Activities:                           |   |                                       |
| Sebastopol Attendance Center gym reroofing project | \$ 165,940                              | \$ 198,393                            |
| Total governmental activities                      | <u>165,940</u>                          | <u>198,393</u>                        |

Construction projects included in governmental activities are funded with District Maintenance funds.

**Note 6 – Long-term Liabilities**

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

|                                     | <u>Balance</u><br><u>7/1/2010</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u><br><u>6/30/2011</u> | <u>Amounts</u><br><u>due within</u><br><u>one year</u> |
|-------------------------------------|-----------------------------------|------------------|-------------------|------------------------------------|--|
| A. Obligations under capital leases | \$ 2,140                          |                  | 2,140             | -                                  | -  |
| B. Compensated absences payable     | 200,301                           | 25,371           |                   | 225,672                            | -  |
| Total                               | <u>\$ 202,441</u>                 | <u>\$ 25,371</u> | <u>\$ 2,140</u>   | <u>\$ 225,672</u>                  | <u>-</u>   |

**A. Obligations under capital leases**

The school district entered into a lease agreement as the lessee for financing the acquisition of four copiers at a cost of \$37,995. This lease qualified as a capital lease. The final payment on the capital lease was made during the current fiscal year from the District Maintenance Fund.

**B. Compensated absences payable**

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

**Note 7 – Other Commitments**

Commitments under re-roofing contracts are described in Note 5.

Operating leases:

The school district has several operating leases for copy machines.

Lease expenditures for the year ended June 30, 2011, amounted to \$30,768. Future lease payments for this lease are as follows:

| <u>Year Ending</u><br><u>June 30</u> | <u>Amount</u>    |
|--------------------------------------|------------------|
| 2012                                 | \$ 30,373        |
| 2013                                 | <u>23,667</u>    |
| Total                                | <u>\$ 54,040</u> |

SCOTT COUNTY SCHOOL DISTRICT

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

**Note 8 – Defined Benefit Pension Plan**

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,743,755, \$1,815,560 and \$1,819,626, respectively, which equaled the required contributions for each year.

**Note 9 – Sixteenth Section Lands.**

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

| <u>Year Ending</u><br><u>June 30</u> | <u>Amount</u>       |
|--------------------------------------|---------------------|
| 2012                                 | \$ 118,189          |
| 2013                                 | 116,448             |
| 2014                                 | 110,875             |
| 2015                                 | 108,555             |
| 2016                                 | 103,655             |
| 2017 – 2021                          | 503,243             |
| 2022 – 2026                          | 496,799             |
| 2027 – 2031                          | 390,212             |
| Thereafter                           | 457,692             |
| Total                                | <u>\$ 2,405,668</u> |

**SCOTT COUNTY SCHOOL DISTRICT**

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

**Note 10 – Prior Period Adjustments**

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

| Explanation   | Amount           |
|---|------------------|
| 1. To correct the recording of a prior period asset or liability in the governmental funds. | \$ 39,078        |
| Total   | \$ <u>39,078</u> |

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

| Fund                     | Explanation   | Amount           |
|--------------------------|---|------------------|
| General Fund             | To correct the recording of a prior period asset or liability | \$ (17,770)      |
| Other governmental funds | To correct the recording of a prior period asset or liability | 56,848           |
| Total                    |   | \$ <u>39,078</u> |

**Note 11 – 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.

**Note 12 – 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.

## SCOTT COUNTY SCHOOL DISTRICT

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

#### **Note 13 – Uncertainties**

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). This section also allows a school district to assert a claim against the custodial school district for its share of the funds no later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds.

Of the townships Scott County School District shares with other school districts, Scott County School District has control of some of the sixteenth section property shared with Forest Municipal School District. Forest Municipal School District filed lists of children with Scott County School District as required, but Scott County School District did not divide sixteenth section revenues with them. No division of sixteenth section revenues has been accrued as a payable because the twelve (12) month period after the calendar year that the revenue was received has passed. Scott County School District did not file lists of children with two other school districts that control shared townships with Scott County School District. No division of sixteenth section revenues has been accrued as a receivable as it cannot be determined and the twelve (12) month period after the calendar year that the revenue was received has passed.

#### **Note 14 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated April 12, 1994 creating a consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Union Public School District, Forest Municipal School District, Neshoba County School District, Newton Municipal School District and Newton County School District.

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

The Union Public School District has been designated as the lead school district for the consortium and the operations of the consortium are included in its financial statements.

#### **Note 15 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated April 16, 1994 creating the Forest Scott County Career and Technology Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Scott County School District and the Forest Municipal School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

SCOTT COUNTY SCHOOL DISTRICT

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

The Scott County School District has been designated as the fiscal agent for the Forest Scott County Career Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Forest Scott County Career and Technology Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2011

Revenues

Local sources:

Tuition from other LEA's within the state:

Forest Municipal School District

\$ 152,039

Total tuition from other LEA's within the state

152,039

Total local sources

152,039

State sources

330,063

Federal sources

62,865

Total Revenues

544,967

Expenditures

Salaries

778,989

Employee benefits

220,714

Purchased property services

38,850

Other purchased services

5,988

Supplies

31,780

Property

40,075

Other

2,065

Total Expenditures

1,118,461

Excess (Deficiency) of Revenues Over (Under) Expenditures

(573,494)

Other Financing Sources/Uses:

Transfer from District Maintenance

573,494

Total Other Financing Sources/Uses

573,494

Net Change in Fund Balance

-

Fund Balance:

July 1, 2010

-

Prior period adjustments

210

July 1, 2010, as restated

210

June 30, 2011

\$ 210

SCOTT COUNTY SCHOOL DISTRICT

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

**Note 16 - Insurance loss recoveries**

The Scott County School District received \$144,323 in insurance loss recoveries related to storm damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

| Insurance Loss |            |                  |
|----------------|------------|------------------|
| Recoveries     | Percentage | Expense Function |
| \$ 144,323     | 100%       | Support Services |
| \$ 144,323     | 100%       |                  |

**Note 17 - Subsequent Events**

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Scott County School District evaluated the activity of the district through August 20, 2013, (the date the financial statements were available to be issued), and determined that the following subsequent event(s) has (have) occurred requiring disclosure in the notes to the financial statements:

- Approved purchased of a handicapped bus in the amount of \$74,900 from Waters Truck and Tractor on July 12, 2011.
- On October 12, 2011 the board voted to purchase school buses from Waters Truck and Tractor in the amount of \$325,020.
- On May 14, 2013 the board voted to purchase two school buses in the amount of \$79,000 each.

**SCOTT COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTAL INFORMATION**

**SCOTT COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2011**

|  | Budgeted Amounts |          | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                     |
|--|------------------|----------|------------------------|----------------------------------|---------------------|
|  | Original         | Final    |                        | Original<br>to Final             | Final<br>to Actual  |
|  |                  |          |                        |                                  |                     |
| <b>Revenues:</b>   |                  |          |                        |                                  |                     |
| Local sources  | \$ -             | \$ -     | \$ 3,177,228           | \$ -                             | \$ 3,177,228        |
| State sources  | -                | -        | 16,334,582             | -                                | 16,334,582          |
| Federal sources  | -                | -        | 705,353                | -                                | 705,353             |
| <b>Total Revenues</b>  | <b>-</b>         | <b>-</b> | <b>20,217,163</b>      | <b>-</b>                         | <b>20,217,163</b>   |
| <b>Expenditures:</b>   |                  |          |                        |                                  |                     |
| Instruction  | -                | -        | 11,181,482             | -                                | (11,181,482)        |
| Support services   | -                | -        | 7,602,710              | -                                | (7,602,710)         |
| Noninstructional services                                    | -                | -        | 90,868                 | -                                | (90,868)            |
| Facilities acquisition and construction                      | -                | -        | 147,307                | -                                | (147,307)           |
| Debt service:  |                  |          |                        |                                  |                     |
| Principal  | -                | -        | 2,140                  | -                                | (2,140)             |
| Interest   | -                | -        | 17                     | -                                | (17)                |
| <b>Total Expenditures</b>                                    | <b>-</b>         | <b>-</b> | <b>19,024,524</b>      | <b>-</b>                         | <b>(19,024,524)</b> |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | -                | -        | 1,192,639              | -                                | 1,192,639           |
| <b>Other Financing Sources (Uses):</b>                       |                  |          |                        |                                  |                     |
| Insurance recovery   | -                | -        | 144,323                | -                                | 144,323             |
| Sale of transportation equipment                             | -                | -        | 7,093                  | -                                | 7,093               |
| Operating transfers in                                       | -                | -        | 11,815                 | -                                | 11,815              |
| Operating transfers out                                      | -                | -        | (757,334)              | -                                | (757,334)           |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>         | <b>-</b> | <b>(594,103)</b>       | <b>-</b>                         | <b>(594,103)</b>    |
| <b>Net Change in Fund Balances</b>                           | <b>-</b>         | <b>-</b> | <b>598,536</b>         | <b>-</b>                         | <b>598,536</b>      |
| <b>Fund Balances:</b>  |                  |          |                        |                                  |                     |
| July 1, 2010, as originally reported                         | -                | -        | 3,548,109              | -                                | 3,548,109           |
| Prior period adjustments                                     | -                | -        | (17,770)               | -                                | (17,770)            |
| July 1, 2010, as restated                                    | -                | -        | 3,530,339              | -                                | 3,530,339           |
| June 30, 2011  | \$ -             | \$ -     | \$ 4,128,875           | \$ -                             | \$ 4,128,875        |

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

SCOTT COUNTY SCHOOL DISTRICT  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Title 1 Fund  
 For the Year Ended June 30, 2011

|  | Budgeted Amounts |       | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|-------|------------------------|----------------------------------|--------------------|
|  | Original         | Final |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |       |                        |                                  |                    |
| <b>Revenues:</b>   |                  |       |                        |                                  |                    |
| Federal sources  | \$ -             | \$ -  | \$ 1,120,096           | \$ -                             | \$ 1,120,096       |
| Total Revenues   | -                | -     | 1,120,096              | -                                | 1,120,096          |
| <b>Expenditures:</b>   |                  |       |                        |                                  |                    |
| Instruction  | -                | -     | 916,316                | -                                | (916,316)          |
| Support services   | -                | -     | 197,807                | -                                | (197,807)          |
| Noninstructional services                                    | -                | -     | 13,948                 | -                                | (13,948)           |
| Total Expenditures   | -                | -     | 1,128,071              | -                                | (1,128,071)        |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | -                | -     | (7,975)                | -                                | (7,975)            |
| <b>Other Financing Sources (Uses):</b>                       |                  |       |                        |                                  |                    |
| Operating transfers in                                       | -                | -     | 19,790                 | -                                | 19,790             |
| Operating transfers out                                      | -                | -     | (11,815)               | -                                | (11,815)           |
| Total Other Financing Sources (Uses)                         | -                | -     | 7,975                  | -                                | 7,975              |
| Net Change in Fund Balances                                  | -                | -     | -                      | -                                | -                  |
| <b>Fund Balances:</b>  |                  |       |                        |                                  |                    |
| July 1, 2010,  | -                | -     | -                      | -                                | -                  |
| June 30, 2011  | \$ -             | \$ -  | \$ -                   | \$ -                             | \$ -               |

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**ARRA Part B Fund**  
**For the Year Ended June 30, 2011**

|  | Budgeted Amounts |       | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|-------|------------------------|----------------------------------|--------------------|
|  | Original         | Final |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |       |                        |                                  |                    |
| <b>Revenues:</b>   |                  |       |                        |                                  |                    |
| Federal sources  | \$ -             | \$ -  | \$ 317,448             | \$ -                             | \$ 317,448         |
| Total Revenues   | -                | -     | 317,448                | -                                | 317,448            |
| <b>Expenditures:</b>   |                  |       |                        |                                  |                    |
| Instruction  | -                | -     | 150,672                | -                                | (150,672)          |
| Support services   | -                | -     | 166,776                | -                                | (166,776)          |
| Total Expenditures   | -                | -     | 317,448                | -                                | (317,448)          |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | -                | -     | -                      | -                                | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |       |                        |                                  |                    |
| Operating transfers in                                       | -                | -     | -                      | -                                | -                  |
| Operating transfers out                                      | -                | -     | -                      | -                                | -                  |
| Total Other Financing Sources (Uses)                         | -                | -     | -                      | -                                | -                  |
| Net Change in Fund Balances                                  | -                | -     | -                      | -                                | -                  |
| Fund Balances:   |                  |       |                        |                                  |                    |
| July 1, 2010,  | -                | -     | -                      | -                                | -                  |
| June 30, 2011  | \$ -             | \$ -  | \$ -                   | \$ -                             | \$ -               |

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**IDEA Part B Fund**  
**For the Year Ended June 30, 2011**

|  | Budgeted Amounts |       | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|-------|------------------------|----------------------------------|--------------------|
|  | Original         | Final |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |       |                        |                                  |                    |
| <b>Revenues:</b>   |                  |       |                        |                                  |                    |
| Federal sources  | \$ -             | \$ -  | \$ 734,001             | \$ -                             | \$ 734,001         |
| Total Revenues   | -                | -     | 734,001                | -                                | 734,001            |
| <b>Expenditures:</b>   |                  |       |                        |                                  |                    |
| Instruction  | -                | -     | 466,871                | -                                | (466,871)          |
| Support services   | -                | -     | 268,957                | -                                | (268,957)          |
| Total Expenditures   | -                | -     | 735,828                | -                                | (735,828)          |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | -                | -     | (1,827)                | -                                | (1,827)            |
| <b>Other Financing Sources (Uses):</b>                       |                  |       |                        |                                  |                    |
| Operating transfers in                                       | -                | -     | 1,827                  | -                                | 1,827              |
| Operating transfers out                                      | -                | -     | -                      | -                                | -                  |
| Total Other Financing Sources (Uses)                         | -                | -     | 1,827                  | -                                | 1,827              |
| Net Change in Fund Balances                                  | -                | -     | -                      | -                                | -                  |
| <b>Fund Balances:</b>  |                  |       |                        |                                  |                    |
| July 1, 2010,  | -                | -     | -                      | -                                | -                  |
| June 30, 2011  | \$ -             | \$ -  | \$ -                   | \$ -                             | \$ -               |

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**16th Section Interest Fund**  
**For the Year Ended June 30, 2011**

|  | Budgeted Amounts |       | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|-------|------------------------|----------------------------------|--------------------|
|  | Original         | Final |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |       |                        |                                  |                    |
| <b>Revenues:</b>   |                  |       |                        |                                  |                    |
| Sixteenth section sources                                    | \$ -             | \$ -  | \$ 591,231             | \$ -                             | \$ 591,231         |
| Total Revenues   | -                | -     | 591,231                | -                                | 591,231            |
| <b>Expenditures:</b>   |                  |       |                        |                                  |                    |
| Sixteenth section  | -                | -     | 11,732                 | -                                | (11,732)           |
| Total Expenditures   | -                | -     | 11,732                 | -                                | (11,732)           |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | -                | -     | 579,499                | -                                | 579,499            |
| <b>Other Financing Sources (Uses):</b>                       |                  |       |                        |                                  |                    |
| Total Other Financing Sources (Uses)                         | -                | -     | -                      | -                                | -                  |
| Net Change in Fund Balances                                  | -                | -     | 579,499                | -                                | 579,499            |
| <b>Fund Balances:</b>  |                  |       |                        |                                  |                    |
| July 1, 2010,  | -                | -     | 2,003,515              | -                                | 2,003,515          |
| June 30, 2011  | \$ -             | \$ -  | \$ 2,583,014           | \$ -                             | \$ 2,583,014       |

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Required Supplemental Information  
For the Year Ended June 30, 2010**

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

(3) Individual Fund Disclosures.

Individual funds that were required to be budgeted but were not budgeted are as follows:

| <u>Individual Fund</u>                      |    | <u>Amount</u>     |
|---|----|-------------------|
| District Maintenance Fund                   | \$ | 16,162,229        |
| Special Education Fund                      |    | 2,129,318         |
| At-risk Fund                                |    | 379,795           |
| Activity Fund                               |    | 341,957           |
| Vo Tech Activity Fund                       |    | 11,225            |
| School Lunch Fund                           |    | 2,146,959         |
| Title I Low Fund                            |    | 1,128,071         |
| Title VI B-2 Fund                           |    | 98,742            |
| EEF - Instructional Materials Fund          |    | 47,418            |
| Title II - A Improving Teacher Quality Fund |    | 207,267           |
| E2T2 Formula Grant Fund                     |    | 14,690            |
| Fed Ed Jobs Fund                            |    | 812,120           |
| ARRA Stabilization Fund                     |    | 1,087,555         |
| ARRA Title 1 Fund                           |    | 144,860           |
| ARRA Preschool Fund                         |    | 18,270            |
| ARRA E2T2 Fund                              |    | 2,866             |
| ARRA Part B Fund                            |    | 317,448           |
| IDEA Part B Fund                            |    | 735,828           |
| IDEA Preschool Fund                         |    | 18,514            |
| Vocational Education Fund                   |    | 1,118,461         |
| Title IV SDFS Fund                          |    | 12,264            |
| Sixteenth Section Forestry Escrow Fund      |    | 27,961            |
| Sixteenth Section Interest Fund             |    | 11,732            |
| Positive Behavior Fund                      |    | 8,711             |
| Nursing Grant Fund                          |    | 42,705            |
| National Writing Project Fund               |    | 8,029             |
| Total Expenditures                          |    | <u>27,034,995</u> |

**SCOTT COUNTY SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

**SCOTT COUNTY SCHOOL DISTRICT**  
**Supplemental Information**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title                    | Catalog of<br>Federal<br>Domestic<br>Assistance No. | Federal<br>Expenditures |
|---|---|-------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                                  |   |                         |
| Passed-through Mississippi Department of Education:                           |   |                         |
| Child nutrition cluster:  |   |                         |
| School breakfast program  | 10.553  | \$ 536,184              |
| National school lunch program   | 10.555  | 1,608,569               |
| Total child nutrition cluster   |   | <u>2,144,753</u>        |
| Total passed-through Mississippi Department of Education                      |   | <u>2,144,753</u>        |
| <b>Total U.S. Department of Agriculture</b>                                   |   | <u><u>2,144,753</u></u> |
| <b><u>Federal Communications Commission</u></b>                               |   |                         |
| Administered through the Universal Service Administrative Company:            |   |                         |
| The schools and libraries program of the universal service fund               | 32.xxx  | 291,102                 |
| <b>Total Federal Communications Commission</b>                                |   | <u>291,102</u>          |
| <b><u>U.S. Department of Education</u></b>                                    |   |                         |
| Passed-through Mississippi Department of Education:                           |   |                         |
| Career and technical education - basic grants to states                       | 84.048  | 62,865                  |
| Safe and drug-free schools and communities- state grants                      | 84.186  | 12,200                  |
| Gaining early awareness and readiness in undergraduate programs               | 84.334  | 36,619                  |
| Rural education   | 84.358  | 98,742                  |
| Improving teacher quality state grants  | 84.367  | 207,267                 |
| ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act | 84.394  | 1,087,555               |
| Education jobs fund   | 84.410  | 812,120                 |
| Subtotal  |   | <u>2,317,368</u>        |
| Title I cluster:  |   |                         |
| Title I grants to local educational agencies                                  | 84.010  | 1,139,886               |
| ARRA - Title I grants to local educational agencies, Recovery Act             | 84.389  | 144,860                 |
| Total Title I cluster   |   | <u>1,284,746</u>        |
| Special education cluster:  |   |                         |
| Special education - grants to states  | 84.027  | 735,828                 |
| Special education - preschool grants  | 84.173  | 18,411                  |
| ARRA - Special education grants to states, Recovery Act                       | 84.391  | 317,448                 |
| ARRA - Special education - preschool grants, Recovery Act                     | 84.392  | 16,243                  |
| Total special education cluster   |   | <u>1,087,930</u>        |
| Education technology state grants cluster:                                    |   |                         |
| Education technology state grants   | 84.318  | 6,728                   |
| ARRA-Education technology state grants, Recovery Act                          | 84.386  | 2,866                   |
| Total State Fiscal Stabilization Fund cluster                                 |   | <u>9,594</u>            |
| Total passed-through Mississippi Department of Education                      |   | <u>4,699,638</u>        |
| <b>Total U.S. Department of Education</b>                                     |   | <u><u>4,699,638</u></u> |
| <b><u>U.S. Department of Health and Human Services</u></b>                    |   |                         |
| Passed-through Mississippi Department of Health and Human Services:           |   |                         |
| Medical assistance program  | 93.778  | 13,678                  |
| Total passed-through Mississippi Department of Health and Human Services      |   | <u>13,678</u>           |
| <b>Total U.S. Department of Health and Human Services</b>                     |   | <u>13,678</u>           |
| Total for All Federal Awards  |   | <u>\$ 7,149,171</u>     |

**NOTES TO SCHEDULE**

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

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

| Expenditures                 | Total         | Instruction and Other Student Expenditures |                       |           |  |
|------------------------------|---------------|--|-----------------------|-----------|--|
|                              |               | General Administration                     | School Administration | Other     |  |
| Salaries and fringe benefits | \$ 19,780,893 | 774,835                                    | 1,476,992             | 2,011,404 |  |
| Other                        | 7,254,102     | 676,537                                    | 68,255                | 4,209,903 |  |
| Total                        | \$ 27,034,995 | 1,451,372                                  | 1,545,247             | 6,221,307 |  |
| Total number of students *   | 3,700         |  |                       |           |  |
| Cost per student             | \$ 7,307      | 392  | 418                   | 1,681     |  |

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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

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

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

**SCOTT COUNTY SCHOOL DISTRICT**

**OTHER SUPPLEMENTAL INFORMATION**

**SCOTT COUNTY SCHOOL DISTRICT**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

|  | 2011                | 2010*               | 2009*               | 2008*               |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues:</b>   |                     |                     |                     |                     |
| Local sources  | \$ 3,177,228        | \$ 2,829,651        | \$ 2,924,311        | \$ 2,795,769        |
| State sources  | 16,334,582          | 16,681,527          | 18,708,288          | 19,438,361          |
| Federal sources  | 705,353             | 525,981             | 532,140             | 554,327             |
| <b>Total Revenues</b>  | <b>20,217,163</b>   | <b>20,037,159</b>   | <b>22,164,739</b>   | <b>22,788,457</b>   |
| <b>Expenditures:</b>   |                     |                     |                     |                     |
| Instruction  | 11,181,482          | 12,274,519          | 13,947,852          | 13,948,398          |
| Support services   | 7,602,710           | 7,352,066           | 7,390,776           | 6,961,164           |
| Noninstructional services                                    | 90,868              | 12,120              | 4,753               |                     |
| Facilities acquisition and construction                      | 147,307             | 18,633              |                     | 530,046             |
| Debt service:  |                     |                     |                     |                     |
| Principal  | 2,140               | 12,385              | 11,640              | 11,830              |
| Interest   | 17                  | 555                 | 1,300               | 2,188               |
| <b>Total Expenditures</b>                                    | <b>19,024,524</b>   | <b>19,670,278</b>   | <b>21,356,321</b>   | <b>21,453,626</b>   |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 1,192,639           | 366,881             | 808,418             | 1,334,831           |
| <b>Other Financing Sources (Uses):</b>                       |                     |                     |                     |                     |
| Insurance recovery   | 144,323             |                     | 9,803               |                     |
| Sale of transportation equipment                             | 7,093               |                     |                     |                     |
| Sale of other property                                       |                     |                     |                     | 736                 |
| Operating transfers in                                       | 11,815              | 10,320              | 10,651              | 5,188               |
| Operating transfers out                                      | (757,334)           | (1,001,761)         | (766,640)           | (1,078,867)         |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(594,103)</b>    | <b>(991,441)</b>    | <b>(746,186)</b>    | <b>(1,072,943)</b>  |
| <b>Net Change in Fund Balances</b>                           | <b>598,536</b>      | <b>(624,560)</b>    | <b>62,232</b>       | <b>261,888</b>      |
| <b>Fund Balances:</b>  |                     |                     |                     |                     |
| Beginning of period, as originally reported                  | 3,548,109           | 4,210,252           | 4,252,313           | 3,751,012           |
| Prior period adjustments                                     | (17,770)            | (37,583)            | (104,293)           | 239,413             |
| Beginning of period, as restated                             | 3,530,339           | 4,172,669           | 4,148,020           | 3,990,425           |
| <b>End of Period</b>   | <b>\$ 4,128,875</b> | <b>\$ 3,548,109</b> | <b>\$ 4,210,252</b> | <b>\$ 4,252,313</b> |

\*SOURCE - PRIOR YEAR AUDIT REPORTS

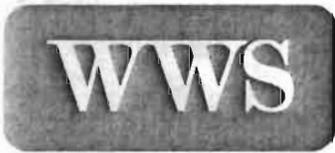
**SCOTT COUNTY SCHOOL DISTRICT**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

|  | 2011                | 2010*               | 2009*               | 2008*               |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues:</b>   |                     |                     |                     |                     |
| Local sources  | \$ 3,593,558        | \$ 3,252,490        | \$ 3,378,199        | \$ 3,178,911        |
| State sources  | 16,904,740          | 17,198,996          | 19,264,362          | 20,050,027          |
| Federal sources  | 7,194,596           | 6,907,323           | 4,597,155           | 4,552,462           |
| Sixteenth section sources                                    | 669,902             | 614,875             | 197,805             | 118,629             |
| Total Revenues   | <u>28,362,796</u>   | <u>27,973,684</u>   | <u>27,437,521</u>   | <u>27,900,029</u>   |
| <b>Expenditures:</b>   |                     |                     |                     |                     |
| Instruction  | 15,914,516          | 17,097,247          | 16,592,035          | 16,716,358          |
| Support services   | 8,698,921           | 8,722,275           | 8,365,213           | 8,316,822           |
| Noninstructional services                                    | 2,232,401           | 2,207,805           | 2,168,360           | 2,042,865           |
| Sixteenth section  | 39,693              | 53,332              | 40,670              | 8,488               |
| Facilities acquisition and construction                      | 147,307             | 18,633              |                     | 530,046             |
| Debt service:  |                     |                     |                     |                     |
| Principal  | 2,140               | 14,067              | 13,842              | 17,654              |
| Interest   | 17                  | 641                 | 1,364               | 2,594               |
| Total Expenditures   | <u>27,034,995</u>   | <u>28,114,000</u>   | <u>27,181,484</u>   | <u>27,634,827</u>   |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | <u>1,327,801</u>    | <u>(140,316)</u>    | <u>256,037</u>      | <u>265,202</u>      |
| <b>Other Financing Sources (Uses):</b>                       |                     |                     |                     |                     |
| Insurance recovery   | 144,323             |                     | 9,803               |                     |
| Sale of transportation equipment                             | 7,093               |                     |                     |                     |
| Sale of other property                                       |                     |                     |                     | 736                 |
| Operating transfers in                                       | 769,149             | 1,012,081           | 777,291             | 1,084,055           |
| Operating transfers out                                      | (769,149)           | (1,012,081)         | (777,291)           | (1,084,055)         |
| Total Other Financing Sources (Uses)                         | <u>151,416</u>      | <u>0</u>            | <u>9,803</u>        | <u>736</u>          |
| Net Change in Fund Balances                                  | <u>1,479,217</u>    | <u>(140,316)</u>    | <u>265,840</u>      | <u>265,938</u>      |
| Fund Balances:   |                     |                     |                     |                     |
| Beginning of period, as originally reported                  | 5,969,926           | 6,157,987           | 6,051,458           | 5,792,118           |
| Prior period adjustments                                     | 39,078              | (37,583)            | (157,154)           | (5,617)             |
| Beginning of period, as restated                             | <u>6,009,004</u>    | <u>6,120,404</u>    | <u>5,894,304</u>    | <u>5,786,501</u>    |
| Increase (Decrease) in reserve for inventory                 | <u>2,206</u>        | <u>(10,162)</u>     | <u>(2,157)</u>      | <u>(981)</u>        |
| End of Period  | <u>\$ 7,490,427</u> | <u>\$ 5,969,926</u> | <u>\$ 6,157,987</u> | <u>\$ 6,051,458</u> |

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**SCOTT COUNTY SCHOOL DISTRICT**

**REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**



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|                         | Robert E. Cordle, Jr., CPA  |

**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  
Scott County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Scott County School District as of and for the year ended June 30, 2011, which collectively comprise Scott County School District's basic financial statements and have issued our report thereon dated August 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. [Finding **2011-1, 2011-2, 2011-3 and 2011-4**].

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. [Finding **2011-5, 2011-6, 2011-7, 2011-8, 2011-9, 2011-10, 2011-11, 2011-12**].

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings **2011-1 and 2011-2**.

We also noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated August 20, 2013, which is included in this report.

Scott County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Scott County School District's responses and, accordingly, we express no opinion on them.

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.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi

August 20, 2013

*Watkins, Ward and Stafford, PLLC*



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

Superintendent and School Board  
 Scott County School District

Compliance

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

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

In our opinion, Scott County 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. However, the results of our auditing procedures disclosed immaterial instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questions Costs as Finding(s) **2011-14, 2011-17, and 2011-18.**

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Finding **2011-13, 2011-14, 2011-15, 2011-16, 2011-17, 2011-18, 2011-19 and 2011-20**. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Scott County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Scott County School District's responses and, accordingly, we express no opinion on them.

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi

August 20, 2013

*Watkins, Ward and Stafford, PLLC*

**SCOTT COUNTY SCHOOL DISTRICT**

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



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

Superintendent and School Board  
Scott County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2011, which collectively comprise Scott County School District's basic financial statements and have issued our report thereon dated August 20, 2013. 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 the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$13,288 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 instance of noncompliance related to incorrect or in appropriate 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 instances of noncompliance described in Finding **2011-1 and 2011-2** in the Schedule of Findings and Questioned Costs and the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

1. Education Enhancement Funds Should Be Allocated Equally Among Teachers But Should Not Be Allocated to Federally Funded Teachers

Finding

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), specifies, "...local school districts shall allocate classroom supply funds equally among all classroom teachers in the school district." It also defines "teacher" as "...an employee of the school board of a school district who is required by law to obtain a teacher's license from the State Department of Education and who is assigned to an instructional area of work as defined by the department, but shall not include a federally-funded teacher."

During our test work, we identified six (6) teachers who were federally funded and who were also being allocated Education Enhancement Funds, which is prohibited by Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972). We also noted several teachers were allowed to spend more than the \$225 allocated to each teacher.

We also noted two schools, Bettye Mae Jack Middle School and Lake Middle School, did not have an adequate tracking system in place to determine if Education Enhancement Funds were allocated equally among non-federally funded teachers.

The noncompliance occurred because the District did not follow the restrictions of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

Allowing teachers to overspend their allocation and the allocation of classroom supplies and instructional materials funds to federally funded teachers could result in the District allowing some teachers to spend other teachers' allocations.

Recommendation

We recommend the District comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires that education enhancement funds be allocated equally among classroom teachers, but shall not include federally funded teachers. Also each school should have a tracking system in place that tracks each individual teachers spending of Education Enhancement Funds.

School District's Response

The District will comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires that education enhancement funds be allocated equally among classroom teachers; but shall not include federally funded teachers.

2. The School District Should Promptly Collect Sixteenth Section Leases

Finding

Section 29-3-57, Miss. Code Ann. (1972) states, "It is the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section principal funds. Upon a sixty (60) day default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present..."

During our tests of sixteenth section leases we identified several leases in which rental payments tested were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Inadequate controls concerning collection of sixteenth section lease payments resulted in the District not being in compliance with Section 29-3-57, Miss. Code Ann. (1972).

### Recommendation

We recommend that the District comply with Section 29-3-57, Miss. Code Ann. (1972) that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

### School District's Response

The District will comply with Section 29-3-57, Miss. Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

## 3. Sixteenth Section Child Lists Should Be Submitted By December 31

### Finding

Miss. Code Section 29-3-121 provides, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year, and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year."

During test of sixteenth section revenue, we noted that educable child lists were not sent to the Forest Municipal School District.

Noncompliance with Section 29-3-121, Miss. Code Ann. (1972), could result in the District not receiving their pro rata share of sixteenth section revenue from other school districts.

### Recommendation

We recommend that the District implement policies and procedures to ensure all lists are prepared and sent to appropriate school districts by December 31 of each year, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

### School District's Response

The District will implement procedures to ensure all lists are prepared and sent to appropriate school districts by December 31 of each year, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

## 4. Revenues Generated from Sixteenth Section Sources Should Be Shared with Other Districts within Each Township

### Finding

Miss. Code Section 29-3-119(4), Miss. Code Ann. (1972), states, "The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the "custodial school district") shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district's pro rata share of the available township funds, as determined from the lists of children prepared pursuant to Section 29-3-121, ...Any school district entitled to such funds, which is not paid promptly may assert a claim against the custodial school district for its share of the funds no later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds."

During tests of sixteenth section revenue, we noted that the District failed to distribute funds generated from the sixteenth section property between school districts lying partly within townships of which Scott County School District is the custodial school district.

Due to inadequate controls relating to sixteenth section requirements, the District was not in compliance with Section 29-3-119(4), Miss. Code Ann. (1972).

#### Recommendation

We recommend the District comply with Section 29-3-119(4), Miss. Code Ann. (1972), which requires the custodial district to share the sum of all revenues less expenditures derived from shared townships with other districts.

#### School District's Response

The District will comply with Section 29-3-119(4), Miss. Code Ann. (1972), which requires the custodial district to share the sum of all revenues less expenditures derived from shared townships with other districts.

### 5. Purchasing Agents Should Be Bonded for the Statutorily Required Amount with the Bond Recorded in the Chancery Clerk's Office

#### Finding

Section 37-39-21 Miss Code Ann. (1972) requires that purchasing agents shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted no surety bond coverage was obtained for three purchasing agents.

#### Recommendation

We recommend the school district comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

#### School District's Response

The District will comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

### 6. Financial Statements Should Be Presented to the School Board On A Monthly Basis

#### Finding

Section 37-9-18, Miss Code Ann. (1972) requires that the superintendent furnish the school board a financial statement of receipts and disbursements, by individual funds, on or before the last working day of the following month covering the prior month.

Per examination of the board folders for each individual month it was determined that only a statement of cash balances was presented to the school board and no financial statement of receipts and disbursements, by individual funds was presented.

This noncompliance occurred because district management did not properly communicate financial information to the Board of Education.

### Recommendation

We recommend the district comply with Section 37-9-18, Miss Code Ann. (1972) which requires that the superintendent furnish the school board a financial statement of receipts and disbursements, by individual funds, on or before the last working day of the following month covering the prior month.

### School District's Response

The District will comply with Section 37-9-18, Miss. Code Ann. (1972), which requires that the superintendent furnish the school board a financial statement of receipts and disbursements, by individual funds, on or before the last working day of the following month covering the prior month.

## 7. Invoices Should Be Paid Within 45 Days

### Finding

Section 31-7-305(2), Miss. Code Ann. (1972), states, "All public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks not later than forty-five (45) days after receipt of the invoice, and receipt inspection and approval of the goods or services; however, in the event of a bona fide dispute, the public body shall pay only the amount not disputed."

During our test of controls, we noted five occurrences of the District paying invoices more than 45 days after the invoice date, with no documentation to indicate that the claim was disputed.

Inadequate controls over adherence to state purchasing laws resulted in this noncompliance.

The District was not in compliance with Section 31-7-305(2), Miss. Code Ann. (1972).

### Recommendation

We recommend the District comply with Section 31-7-305(2), Miss. Code Ann. (1972), which requires invoices to be paid within 45 days of the invoice/receipt of goods date.

### School District's Response

The District will comply with Section 31-7-305(2), Miss. Code Ann. (1972), which requires invoices to be paid within 45 days of the invoice/receipt of goods date.

## 8. Depositories Should Be Approved by the School Board

### Finding

Section 37-7-333, Miss. Code Ann. (1972), requires the school board to place school district funds in the depository or depositories selected by the school board. This selection should be documented in the board minutes.

During the review of the board minutes, the auditor noted that only one of the five depositories used by the District was approved by the school board.

Noncompliance with Section 37-7-333, Miss. Code Ann. (1972), resulted in the school district having funds on deposit at depositories which were not approved by the school board.

Recommendation

We recommend that the District comply with Section 37-7-333, Miss. Code Ann. (1972), and ensure that all depositories used by the District are approved by the school board.

School District's Response

The District will comply with Section 37-7-333, Miss. Code Ann. (1972), and ensure that all depositories used by the District are approved by the School Board.

9. Annual Public Depositors Report Should Be Submitted to the Mississippi Treasury Department Within 30 Days of Fiscal Year End

Finding

Section 27-105-5, Miss Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. The public depositor is also required to review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

Per our audit procedures performed we noted no evidence that the annual report to be submitted to the State Treasurer's Office was prepared or that anyone was reviewing the accuracy of quarterly reports received from the State Treasurer's office.

Recommendation

We recommend the district comply with Section 27-105-5, Miss Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. District personnel should also review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

School District's Response

The District will comply with Section 27-105-5, Miss Code Ann. (1972), which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. District personnel will review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer's Office.

10. Interest Should be Pro-Rated to Investing Funds

Finding

Section 37-59-43(3), Miss. Code Ann. (1972), states, "All earnings from funds other than bond funds or bond sinking funds in excess of One Hundred Dollars (\$100.00) in any fiscal year, ... shall be deposited in the district fund from which the investment was made.... Earnings from such school district funds which are less than One Hundred Dollars (\$100.00) in any fiscal year may be deposited in the school district maintenance fund, or in the district fund from which the investment was made, at the discretion of the school board."

During our test of bank account balances, we noted that eight funds were included in the pooled bank account of the District. The interest earned on this pooled account was credited to the district maintenance fund, even though earnings were more than \$100.

Noncompliance with Section 37-59-43(3), Miss. Code Ann. (1972), could result in the misstatement of the District's financial statements.

Recommendation

We recommend that the District comply with Section 37-59-43(3), Miss. Code Ann. (1972), which requires that interest earned in excess of \$100 be credited to the investing fund.

School District's Response

The District will comply with Section 37-59-43(3), Miss. Code Ann. (1972), which requires that interest earned in excess of \$100 will be credited to the investing fund.

11. PERS Employees Form 4B Should Be Filed Within 5 Days of Reemployment and Their Earnings Should Be Limited To The Amount on The Form 4B

Finding

Section 25-11-127, Miss Code Ann. (1972) requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

During our testing of PERS retirees we noted that eight (5) PERS retirees that were hired by district did not file their forms within five days of reemployment.

Recommendation

We recommend the district comply with Section 25-11-127, Miss Code Ann. (1972) which requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

School District's Response

The District will comply with Section 25-11-127, Miss. Code Ann. (1972), which requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

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

The Scott County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi

August 20, 2013

*Watkins, Ward and Stafford, PLLC*

**Scott County School District**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SCOTT COUNTY SCHOOL DISTRICT**

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |   |             |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 5. | Internal control over major programs:   |             |
| a. | Material weakness(es) identified? (Yes/No)  | No          |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? (Yes/None reported)                 | Yes         |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes         |
| 7. | Federal programs identified as major programs:  |             |
| a. | Child Nutrition Cluster   |             |
|    | CFDA #10.553 School Breakfast Program   |             |
|    | CFDA #10.555 National School Lunch Program  |             |
| b. | Title 1 Cluster   |             |
|    | CFDA #84.010 Title I Grants to Local Educational Agencies   |             |
|    | CFDA #84.389 ARRA, Title 1 Grants to Local Educational Agencies, Recovery Act   |             |
| c. | Special Education Cluster   |             |
|    | CFDA #84.027 Special Education Grants to States   |             |
|    | CFDA #84.173 Special Education Preschool Grants   |             |
|    | CFDA #84.391 ARRA-Special Education Grants To States, Recovery Act  |             |
|    | CFDA #84.392 ARRA-Special Education Preschool Grants,   |             |

SCOTT COUNTY SCHOOL DISTRICT

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

Recovery Act

- d. ARRA-State fiscal stabilization fund – Education state grants,  
Recovery Act  
CFDA #84.394
  - e. Education jobs fund  
CFDA #84.410
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? (Yes/No) No

SCOTT COUNTY SCHOOL DISTRICT

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

Section II: Financial Statement Findings

**Material Weakness and Material Noncompliance**

District Should Have Financial Statements Prepared by October 15<sup>th</sup> Deadline

2011-1 Finding

Section 37-61-21(2), Miss. Code Ann. (1972), states on or before the fifteenth day of October of each year, the local school district, with the assistance of the school district superintendent, shall prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require. The State Board of Education shall prescribe and provide forms to each school district for this purpose. No additional changes may be made to the financial statements after October 15 of each year.

The District filed year-end financial statements (FETS) with the State Board of Education on October 13, 2011. However significant changes were made to the year-end financial after that date in order to complete the financial statements for audit, which were provided to the auditor in December of 2012.

This noncompliance occurred because the district did not follow the requirements of Section 37-61-21(2), Miss. Code Ann. (1972).

Recommendation

We recommend the district comply with Section 37-61-21(2), Miss Code Ann. (1972), by preparing and filing the financial information on or before October 15 following the close of the fiscal year.

**Material Weakness and Material Noncompliance**

School District Budgets Should Be Prepared and Approved as Set Forth in State Laws

2011-2 Finding

Section 37-61-9, Miss. Code Ann. (1972), requires that on or before the fifteenth day of August of each year the local school board of each school district, with the assistance of the superintendent of schools, shall prepare and file with the levying authority for the school district at least two copies of a budget of estimated expenditures for the support, maintenance and operation of the public schools of the school district for the fiscal year commencing on July 1 of such year. Such budget shall be prepared on forms prescribed and provided by the State Auditor and shall contain information the State Auditor may require.

Section 37-61-21(1), Miss. Code Ann. (1972), requires "the revised portions of the budgets shall be incorporated in the minutes of the school board by spreading them in the minutes or by attaching them as an addendum. Final budget revisions, pertinent to a fiscal year, shall be approved on or before the date set by the State Board of Education for the school district to submit its financial information for that fiscal year."

During our test work on budgeting, we noted that the original combined summary budget was approved by the school board; however, the detailed amended combining budget did not agree with the original combined summary budget. Therefore, we could not determine which funds were or were not budgeted in the original combined summary budget.

## SCOTT COUNTY SCHOOL DISTRICT

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

We also noted that no final amended budget was approved in the board minutes.

Inadequate controls concerning budgeting resulted in noncompliance with Sections 37-61-9 and 37-61-21(1), Miss. Code Ann. (1972).

#### Recommendation

We recommend that the district comply with Sections 37-61-9 and 37-61-21(1), Miss. Code Ann. (1972), by preparing both a combined and a combining original budget and by obtaining school board approval of any budget amendments throughout the fiscal year and the final budget revisions. In addition, the board should provide documentation of the approved revisions in the minutes of the board meeting or as an addendum to the board minutes.

#### Material Weakness

##### Controls Surrounding Segregation of Duties Should Be Strengthened

#### 2011-3 Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our review of internal controls we noted the business manager performed, or had the authority to perform, the following functions, which indicated a lack of segregation of duties:

- Prepared list of checks received in the mail
- Receipted cash and checks
- Coded receipts by fund and function
- Prepared the deposits
- Posted receipts to the general ledger
- Prepared journal entries
- Performed the monthly bank reconciliations
- Authority to sign and approve checks

During our tests of activity fund receipts we noted that the secretaries at each of the individual schools performed or had the authority to perform the following functions, which indicated a lack of segregation of duties:

- Count the money
- Prepare school event forms
- Prepare receipts
- Prepare deposits
- Take deposits to the bank

Without proper segregation of duties the risk is increased that unauthorized or inappropriate transactions could be processed, and the district personnel would not detect the problem while performing their normal duties.

#### Recommendation

We recommend the district strengthen its internal controls whereby duties would be segregated to the greatest possible extent.

## SCOTT COUNTY SCHOOL DISTRICT

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

#### Material Weakness

##### Bank Statements Should Be Reconciled To The General Ledger In A Timely Manner and Reviewed By An Independent Person

#### 2011-4 Finding

Management is responsible for ensuring all assets of the school district are properly safeguarded. Proper internal control requires that bank accounts be reconciled on a monthly basis. The reconciliation process enables the Business Office to make adjusting journal entries to correct any mistakes in the district's financial records. Section 37-9-18, Miss. Code Ann. (1972), requires the superintendent of schools to furnish to the school board a monthly financial statement of receipts and disbursements, by funds, on or before the last working day of the following month. Proper internal controls also include a review of bank reconciliations periodically by an independent person.

During our test of bank reconciliations we noted that monthly bank reconciliations were not performed on any of the centralized bank accounts until well after fiscal year end. There was no documentation of a review by an independent person of any bank reconciliations.

Untimely bank reconciliations could result in not accurately reporting the financial condition of the district. Also, not having a review of bank reconciliations by an independent person increases the risk of unauthorized or inappropriate transactions being processed and that the district personnel would not detect the problem while performing their normal duties.

#### Recommendation

We recommend that the district implement policies and procedures to ensure all bank reconciliations are performed on a monthly basis so that the information provided to the school board in accordance with Section 37-9-18, Miss. Code Ann. (1972) includes all transactions. We also recommend a periodic review of the bank reconciliations be performed by a person independent of the receipting and disbursement functions.

#### Significant Deficiency Not Considered To Be A Material Weakness

##### Internal Controls Over Revenues and Receipts Should Be Strengthened

#### 2011-5 Finding

Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

During our testing of internal controls related to revenues and receipts transactions, we noted the following deficiencies:

- Per our review of 16<sup>th</sup> section deposits made by the business manager for the year almost all of these receipts were consistently deposited late. Most of the deposits were at least two weeks late. In a few instances the deposits were deposited up to a month after the receipt of the funds. Also the receipts were not deposited in the order in which they were received.

## SCOTT COUNTY SCHOOL DISTRICT

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

- Each individual school transfers the ending activity account balance for the month to the centralized activity account by check at the end of that applicable month. The business manager then posts a journal entry to record this activity when she deposits the activity fund check into the centralized activity fund bank account. It was noted per our testing of activity fund revenues the business manager consistently held these checks and did not deposit them into the bank, therefore not recording this activity into the general ledger.

Proper internal controls were not in place to ensure deposits were made timely, that the applicable revenue was coded to the proper revenue accounts and that documentation was retained to provide assurances that the proper amount of revenue was recorded.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

#### Recommendation

We recommend the district implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts.

#### **Significant Deficiency Not Considered To Be A Material Weakness**

##### Payroll Expenditures Should Be Supported By Adequate Documentation

#### 2011-6 Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following:

- District personnel could not locate employee federal and state withholding forms in 5 instances.
- Board approval for an employee could not be located in 1 instances
- An employee was not paid in accordance with the board approved salary or pay rate in 32 instances
- Timesheets that corresponded with the amount an employee was paid could not be located in 2 instances.
- Timesheets that were approved by the appropriate supervisory personnel could not be located in 12 instances.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation and payroll records were not reconciled to the general ledger in a timely manner.

Payment of wages without adequate records could result in employees being improperly compensated. In addition, untimely reconciliation of payroll liabilities to the general ledger could result in inaccurate reporting of the financial statements.

SCOTT COUNTY SCHOOL DISTRICT

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

Recommendation

We recommend the district maintain adequate records for all non-exempt personnel to support expenditures prior to payment and reconcile payroll liabilities in a timely manner.

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Over The Recording of Capital Assets Should Be Strengthened

2011-7 Finding

Management is responsible for safeguarding and properly recording all assets of the school district. An important aspect of effective internal controls over capital assets owned by the District is reconciliation of the capital asset subsidiary ledger to the general ledger.

During our tests performed on internal controls over capital assets, we noted that capital asset additions totaling \$257,779 (net of accumulated depreciation) were not added to the capital assets for financial reporting. An adjustment was proposed and made by the client to the financial statements.

Inadequate internal controls surrounding the recording of assets could result in the improper capital asset valuations.

Recommendation

We recommend that the district implement controls and procedures with regard to the purchase of assets by reconciling these items monthly to current monthly additions in both the general ledger and the capital assets subsidiary ledger.

**Significant Deficiency Not Considered To Be A Material Weakness**

Safeguards Should Be Implemented To Detect The Unauthorized Use of The District's Tax Identification Number

2011-8 Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records, which includes ensuring all school related activities are properly recorded on the financial statements of the district.

Five outside organizations, Scott Central PTO, Morton Hardwood Club, Morton High School Freddy L. Gaddis Award, Morton Attendance Center Class of 56, and Morton Band Boosters opened bank accounts using the school district's federal tax identification number without permission from the school district. The school district can choose to maintain these types of accounts in a fiduciary capacity; however, there was no indication that the school district was accepting accountability for these funds. These accounts were not reported in the district's accounting records or financial statements.

Proper internal controls were not in place to detect the unauthorized use of the district's federal tax identification number.

SCOTT COUNTY SCHOOL DISTRICT

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

Without proper controls being in place to account for all bank accounts using the district's federal tax identification number, the district increases the risk that cash collected from students that should be recorded as activity fund revenue could be diverted to outside organizations or individuals.

Recommendation

We recommend management implement internal controls to periodically check with local banking institutions to ensure that no unauthorized accounts have been opened using the district's federal tax identification number. Action should be taken to approve of the accounts in question or request that the unauthorized user close them.

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Over Accrual of Year End Claims Payable Should Be Strengthened

2011-9 Finding

During our audit procedures over testing of claims payable we noted that district personnel did not accrue as claims payable expenditures incurred in June 2011 that should have recorded as expenditures in the June 30, 2011 fiscal year. Per review of subsequent disbursements we noted claims payable totaling \$127,544 which should have been recorded at June 30, 2011. We proposed an audit adjustment to the client and the client made the adjustment to the financial statements for the claims payable we noted.

Inadequate controls over recording year end claims payable could result in expenditures for the fiscal year not being recorded until the following fiscal year.

Recommendation

We recommend district personnel review disbursements after year end and accrue all expenditures for the fiscal year as claims payable at fiscal year-end to ensure that expenditures are recorded in the proper fiscal year.

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Over Activity Fund Receipts Should Be Strengthened

2011-10 Finding

During our testing of activity fund receipts we noted the following deficiencies:

Sebastopol Attendance Center

- We noted the school bookkeeper was withholding cash from athletic event deposits.
- We noted there was a significant delay between the date funds are received until the date it is deposited into the bank account.

## SCOTT COUNTY SCHOOL DISTRICT

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

#### Morton Attendance Center

- We noted three instances where an athletic event form was not signed by the gate workers or principal
- We noted there was a significant delay between the date funds are received until the date it is deposited into the bank account.

#### Scott Central Attendance Center

- We noted the monthly activity transmittal reports were not submitted to the central office in a timely basis.

#### Lake High School

- We noted the school bookkeeper was the only person signing the school event receipt form. We noted the bookkeeper did list the names of the gate workers for the applicable event, however, none of the gate workers signed the school event receipt form to verify cash received for the applicable event.
- We noted there was a significant delay between the date funds are received until the date it is deposited into the bank account.

Proper internal controls were not in place to ensure deposits were made timely, revenue was coded to proper accounts and that documentation was retained to provide assurances that the proper amount of revenue was recorded.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

#### Recommendation

We recommend the district implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. We also recommend that all school event form contain the correct information regarding beginning and ending ticket numbers for the applicable event, that tickets be issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

#### **Significant Deficiency Not Considered To Be A Material Weakness**

#### **Internal Controls Over General Disbursements Should Be Strengthened**

#### 2011-11 Finding

Per our testing of general disbursements we noted the following control deficiencies:

- We noted 6 instances of a paid invoice not being properly cancelled as paid to prevent duplicate payment
- We noted 1 instance where there was insufficient documentation (a supporting invoice) for a paid transaction.
- We noted 8 instances where a purchase order could not be located for a paid invoice and 1 instance where a purchase order was dated after the applicable purchase was made.
- We noted 5 instances where there was inadequate receiving documentation for goods and services.

## SCOTT COUNTY SCHOOL DISTRICT

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

- We did not note any evidence that the Board of Education is approving the claims docket prior to payment of the claims. The board minutes do state that a claims docket is approved but the docket is not included in the exhibits, the dockets are not signed by the President of the Board on a consistent basis and there is no audit trail that proves which docket has been approved by the Board.
- We noted 5 instances where a travel reimbursement voucher was not approved by the Superintendent.

Lack of adequate internal controls surrounding the approval of expenditures and over general disbursement could result in expenditures being made that were not properly authorized and misappropriation of public funds.

#### Recommendation

We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized and considered reasonable and necessary to the operation of the district.

#### **Significant Deficiency Not Considered To Be A Material Weakness**

#### **Internal Controls Over Recording 16<sup>th</sup> Section Performance Bonds Payable Should Be Strengthened**

#### 2011-12 Finding

During our audit procedures over testing of performance bonds payable we noted that district personnel did not properly record two performance bonds payable in the amount of \$13,506. The bonds were actually recorded as revenue from timber sales instead of a liability. We proposed an audit adjustment to the client and the client made the adjustment to the financial statements to properly record the performance bonds payable as a liability of the school district instead of revenue.

Inadequate controls over recording year end claims payable could result in expenditures for the fiscal year not being recorded until the following fiscal year.

#### Recommendation

We recommend district personnel review timber sales contracts entered into to determine if the applicable bidder paid the district a performance bond. If the bidder did pay the district a performance bond district personnel should review the financial statements to determine if the applicable receipt was posted as a performance bond payable.

SCOTT COUNTY SCHOOL DISTRICT

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

Section III: Federal Award Findings and Questioned Costs

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Over Child Nutrition Payroll Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Allowable costs/ cost principles

2011-13 Finding

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

During our tests of internal controls related to Child Nutrition payroll expenditures, we noted that the district could not provide time sheets that were approved by appropriate personnel that corresponded to the amounts paid the employees in 12 of the payroll expenditures tested.

As a result of inadequate internal controls over payroll expenditures, the allocation of payroll expenditures for an employee of the Child Nutrition Program was processed without adequate documentation that was properly authorized by appropriate personnel.

Payment of wages without adequate records could result in employees being improperly compensated.

Recommendation

We recommend the district maintain adequate records that are approved by appropriate personnel for all employees to support federal program expenditures.

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Surrounding Child Nutrition Expenditures Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Activities allowed or unallowed

2011-14 Finding

Mississippi Department of Education's "Policy and Procedure Manual for Child Nutrition Programs" states that bad debts are an unallowable cost of the child nutrition program. Office of Management and Budget Circular A-87 provides that one of the unallowable costs of federal programs is bad debts, including losses, arising from uncollectible accounts and other claims.

During test work performed on daily food sales, we noted that the district allowed students to charge meals. At June 30, 2010, there were uncollected student meal charges. The district did not reimburse child nutrition for the bad debt associated with the cost of the uncollected meals. We also noted there was no evidence that anyone in a supervisory position was reviewing these accounts and making any effort to collect these charges.

SCOTT COUNTY SCHOOL DISTRICT

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

This noncompliance resulted from the district having a policy allowing students to charge meals.

Recommendation

We recommend that the district review their policies and implement procedures to ensure they do not conflict with child nutrition requirements and state statutes. We also recommend that the district reimburse the child nutrition program the cost of the uncollected charged student meals.

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Surrounding Child Nutrition Expenditures Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Allowable costs/ cost principles

2011-15 Finding

Management is responsible for establishing internal controls to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles.

During our test of general disbursements charged to the Child Nutrition Cluster, we noted the following:

- Purchase orders were not noted for 6 purchases and purchase order was dated after the purchase occurred in 1 instance.
- Inadequate receiving documentation was noted in 5 instances.
- Paid invoices were not cancelled as paid in 1 instance.

Lack of adequate internal controls surrounding the approval of expenditures of federal funds resulted in expenditures being made that were not allowable with Child Nutrition Cluster funds.

Recommendation

We recommend the district implement controls and procedures to ensure that all expenditures are reasonable and necessary for proper and efficient performance and administration of the Child Nutrition Cluster.

SCOTT COUNTY SCHOOL DISTRICT

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

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Surrounding Daily Food Sales Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Program Income

2011-16 Finding

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved in cashiering, cash collection, daily reconciliations and deposits. Management is responsible for ensuring that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

During our test work performed on daily food sales for the month of March 2011, it was noted that daily cash sheets at three of the six schools were not regularly signed by the cafeteria managers and/or the cashiers. We also noted several instances at each of the schools where deposits were not being made on a daily basis.

Inadequate internal controls surrounding collection of receipts in child nutrition could result in misappropriation of assets and improper revenue recognition.

Recommendation

We recommend that the district follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit functions of daily food sales.

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Over Determining Student Eligibility Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Eligibility

2011-17 Finding

Management is responsible for establishing internal controls to provide reasonable assurance that student eligibility for participation in the child nutrition program is accurately calculated.

During our test of internal controls over student applications for participation in the Child Nutrition program, we noted two instances where a student was calculated as qualifying for free/reduced status but according to Child Nutrition guidelines should have been calculated as paid status.

Lack of adequate internal controls surrounding review of student applications resulted in a student being improperly classified as free/reduced status rather than as paid status.

**SCOTT COUNTY SCHOOL DISTRICT**

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

Without adequate controls, incorrect eligibility data could result in students being improperly classified and could affect program reimbursement.

Recommendation

We recommend the district implement internal controls to ensure that student applications are properly reviewed by supervisory staff to ensure that students are granted proper eligibility to participate in the Child Nutrition Program.

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls Related To Child Nutrition Verification Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Special Tests and Provisions

2011-18 Finding

Management is responsible for establishing internal controls to provide reasonable assurance that the procedures surrounding the verification of eligibility for free and reduced priced meals are properly performed and documented as required by the Mississippi Department of Education's Policy and Procedures Manual for Child Nutrition Programs.

During our audit of the district's procedures surrounding the verification of eligibility for free and reduced priced meals, it was noted that the district did not re-compute the eligibility status correctly on two applications. One student should have been changed to reduced status but remained as free status and one student should have changed to paid status but was left as reduced status.

Lack of adequate internal controls surrounding the verification of eligibility for free and reduced priced meals and the documentation of the verification process could result in the district allowing ineligible participation in the free and reduced price meal programs.

Recommendation

We recommend the district implement policies and procedures to ensure compliance with the special tests and provisions requirements concerning verification of eligibility for free and reduced priced meals in accordance with the Mississippi Department of Education's Policy and Procedures Manual for Child Nutrition Programs.

SCOTT COUNTY SCHOOL DISTRICT

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

Significant Deficiency Not Considered To Be A Material Weakness

Internal Controls Related To Capital Assets Purchased With Federal Funds Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Equipment and Real Property Maintenance

2011-19 Finding

Per the OMB A-133 Circular, local governments shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Basically, the A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Per our audit procedures performed on capital assets it was noted that the district did not complete a physical inventory for capital assets purchased for the child nutrition program. During our audit of capital assets we noted one asset purchased for the program that was not capitalized. We proposed an audit adjustment that the client posted and reported on the financial statements.

Recommendation

We recommend the district perform a physical inventory of capital assets at least on an annual basis. Any assets purchased with federal funds should be tagged as such so that assurances can be made that these assets are safeguarded against any loss and are being used in the program which acquired it.

SCOTT COUNTY SCHOOL DISTRICT

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

**Significant Deficiency Not Considered To Be A Material Weakness**

Internal Controls over Payroll Disbursements Should Be Strengthened

Program(s): Title 1 Cluster, Passed-through the Mississippi Department of Education  
– CFDA# 84.010 and 84.389  
Special Education Cluster, Passed-through the Mississippi Department  
of Education- CFDA 84.027, 84.173, 84.391 and 84.392

Compliance requirement: Allowable Costs / Cost Principles

2011-20 Finding

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

During our tests of controls related to Special Education payroll expenditures, we noted the following deficiencies:

- We noted 13 instances where the amounts paid to an employee did not agree with the amount approved by the school board as documented in the minutes of the school board meetings.
- We noted that semi-annual certifications were not prepared for staff that was paid 100% from the Special Education Cluster.
- We noted the district could not provide time sheets to show the allocation of time for 4 employees who salary was allocated between Special Education and another activity.

During our tests of controls related to Title 1 payroll expenditures, we noted the following deficiencies:

- We noted 2 instances where timekeeping records could not located that reconciled the amount the employee actually worked to the amount the employee was paid.
- We noted 8 instances where the amounts paid to an employee did not agree with the amount approved by the school board as documented in the minutes of the school board meetings.
- We noted the district could not provide time sheets to show the allocation of time for 2 employees who salary was allocated between Title 1 and another activity

As a result of improper internal controls for payroll expenditures, the allocation for payroll expenditures for an employee of the applicable federal program was processed without adequate documentation.

Payment of wages without adequate records could result in employees being improperly compensated.

Recommendation

We recommend the district maintain adequate records for all employees to support federal program expenditures.

**SCOTT COUNTY SCHOOL DISTRICT**

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

# SCOTT COUNTY SCHOOLS

BINGHAM MONCRIEF  
SUPERINTENDENT

100 EAST FIRST STREET, SUITE B  
FOREST, MISSISSIPPI 39074  
TELEPHONE: 601-469-3861  
FACSIMILE: 601-469-3874

## Finance & Compliance Audit Division

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

| <u>Finding</u> | <u>Corrective Action Plan Details</u>   |
|----------------|---|
| 2011-01        | <p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Bingham Moncrief, Superintendent, 601-469-3861</p> <p>b. Corrective Action Planned:</p> <p>The District will prepare and file the financial information with the State Board of Education on or before October 15<sup>th</sup> following the close of the fiscal year.</p> <p>c. Anticipated Completion Date:</p> <p>The District has corrected this noncompliance in the current fiscal year.</p>   |
| 2011-02        | <p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Bingham Moncrief, Superintendent, 601-469-3861</p> <p>b. Corrective Action Planned:</p> <p>The District will prepare both a combined and a combining original budget and obtain school board approval of any budget amendments throughout the fiscal year and the final budget revisions. In addition, the district will obtain school board documentation of the approved revisions in the minutes of the board meeting or as an addendum to the board minutes.</p> <p>c. Anticipated Completion Date:</p> <p>The District will implement these procedures immediately.</p> |
| 2011-03        | <p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Bingham Moncrief, Superintendent, 601-469-3861</p> <p>b. Corrective Action Planned:</p> <p>The District will strengthen its internal controls whereby duties will be segregated to the greatest possible extent to ensure strong financial accountability and safeguarding of assets.</p>  |

- c. Anticipated Completion Date:  
The District will implement these procedures immediately.
- 2011-04
  - a. Name of Contact Person Responsible for Corrective Action:  
Bingham Moncrief, Superintendent, 601-469-3861
  - b. Corrective Action Planned:  
The District has hired outside help to bring all reconciliations up to date. Once the reconcilements are up to date the reconciliations will be performed within ten working days of receipt of the bank statements and a report of such reconciliations given to the superintendent for review.
  - c. Anticipated Completion Date:  
The District will implement these procedures immediately.
- 2011-05
  - a. Name of Contact Person Responsible for Corrective Action:  
Bingham Moncrief, Superintendent, 601-469-3861
  - b. Corrective Action Planned:  
The District will implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts.
  - c. Anticipated Completion Date:  
The District will implement these procedures immediately.
- 2011-06
  - a. Name of Contact Person Responsible for Corrective Action:  
Bingham Moncrief, Superintendent, 601-469-3861
  - b. Corrective Action Planned:  
The District will maintain adequate records for all non-exempt personnel to support expenditures prior to payment and reconcile payroll liabilities in a timely manner.
  - c. Anticipated Completion Date:  
The District will implement these procedures immediately.
- 2011-07
  - a. Name of Contact Person Responsible for Corrective Action:  
Bingham Moncrief, Superintendent, 601-469-3861
  - b. Corrective Action Planned:

The District will implement controls and procedures with regard to the purchase of assets by reconciling these items monthly to current monthly additions in both the general ledger and the capital assets subsidiary ledger.

c. Anticipated Completion Date:

The District will implement these procedures in the current fiscal year.

2011-08

a. Name of Contact Person Responsible for Corrective Action:

Bingham Moncrief, Superintendent, 601-469-3861

b. Corrective Action Planned:

The District will periodically check with local banks to ensure that no unauthorized accounts have been opened using the district's federal tax identification number.

c. Anticipated Completion Date:

The District will implement these procedures immediately.

2011-09

a. Name of Contact Person Responsible for Corrective Action:

Bingham Moncrief, Superintendent, 601-469-3861

b. Corrective Action Planned:

The District will review disbursements after year end and accrue all expenditures for the fiscal year as claims payable at fiscal year end to ensure that expenditures are recorded in the proper fiscal year.

c. Anticipated Completion Date:

The District will implement these procedures during this fiscal year end process.

2011-10

a. Name of Contact Person Responsible for Corrective Action:

Bingham Moncrief, Superintendent, 601-469-3861

b. Corrective Action Planned:

The District will implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. The District will also ensure that athletic event forms contain the correct information regarding beginning and ending ticket numbers for the applicable event, that tickets be issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

c. Anticipated Completion Date:

The District will implement these procedures immediately.

2011-11

a. Name of Contact Person Responsible for Corrective Action:

Bingham Moncrief, Superintendent, 601-469-3861

b. Corrective Action Planned:

The District will implement controls and procedures to ensure that all expenditures are properly authorized and considered reasonable and necessary to the operation of the district.

c. Anticipated Completion Date:

The District will implement these procedures immediately.

2011-12

a. Name of Contact Person Responsible for Corrective Action:

Bingham Moncrief, Superintendent, 601-469-3861

b. Corrective Action Planned:

The District will review timber sales contracts entered into to determine if the applicable bidder paid the district a performance bond. If the bidder did pay the district a performance bond the district will review the financial statements to determine if the applicable receipt was posted as a performance bond payable.

c. Anticipated Completion Date:

The District will implement these procedures immediately.

2011-13

a. Name of Contact Person Responsible for Corrective Action:

Bingham Moncrief, Superintendent, 601-469-3861

b. Corrective Action Planned:

The District will maintain adequate records for all employees to support federal program expenditures.

c. Anticipated Completion Date:

The District will implement these procedures immediately.

2011-14

a. Name of Contact Person Responsible for Corrective Action:

Bingham Moncrief, Superintendent, 601-469-3861

b. Corrective Action Planned:

The District will review our policies and implement procedures to ensure they do not conflict with child nutrition requirements and state statutes. The District will reimburse the child nutrition program the cost of the uncollected charged student meals.

c. Anticipated Completion Date:

- The District will implement these procedures immediately.
- 2011-15 a. Name of Contact Person Responsible for Corrective Action:  
Bingham Moncrief, Superintendent, 601-469-3861
- b. Corrective Action Planned:  
The District will implement controls and procedures to ensure that all expenditures are properly authorized, considered reasonable and necessary for proper and efficient performance and administration of the Child Nutrition Cluster.
- c. Anticipated Completion Date:  
The District will implement these procedures immediately.
- 2011-16 a. Name of Contact Person Responsible for Corrective Action:  
Vivian McGarrity, Food Service Director, 601-469-3861
- b. Corrective Action Planned:  
The District will follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit functions of daily food sales.
- c. Anticipated Completion Date:  
The District will implement these procedures immediately.
- 2011-17 a. Name of Contact Person Responsible for Corrective Action:  
Vivian McGarrity, Food Service Director, 601-469-3861
- b. Corrective Action Planned:  
The District will implement internal controls to ensure that student applications are properly reviewed by supervisory staff to ensure that students are granted proper eligibility to participate in the Child Nutrition Program.
- d. Anticipated Completion Date:  
The District will implement these procedures immediately.
- 2011-18 a. Name of Contact Person Responsible for Corrective Action:  
Vivian McGarrity, Food Service Director, 601-469-3861
- b. Corrective Action Planned:  
The District will implement policies and procedures to ensure compliance with the special tests and provisions requirements concerning verification of eligibility for free

and reduced priced meals in accordance with the Mississippi Department of Education's Policy and Procedures Manual for Child Nutrition Programs.

c. Anticipated Completion Date:

The District will implement these procedures immediately.

2011-19

a. Name of Contact Person Responsible for Corrective Action:

Billy Freeman, Fixed Asset Manager, 601-469-3861

b. Corrective Action Planned:

The District will perform a physical inventory of capital assets at least on an annual basis. Any assets purchased with federal funds should be tagged as such so that assurances can be made that these assets are safeguarded against any loss and are being used in the program for which it was acquired.

c. Anticipated Completion Date:

The District will implement these procedures immediately.

2011-20

a. Name of Contact Person Responsible for Corrective Action:

Bingham Moncrief, Superintendent, 601-469-3861

b. Corrective Action Planned:

The District will maintain adequate records for all employees to support federal program expenditures.

c. Anticipated Completion Date:

The District will implement these procedures immediately.

Respectfully submitted,

Bingham Moncrief,  
Superintendent of Education

# SCOTT COUNTY SCHOOLS

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SUPERINTENDENT

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FOREST, MISSISSIPPI 39074  
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## SUMMARY OF PRIOR AUDIT FINDINGS

### Financial and Compliance Audit Division

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

| Finding | Status         |
|---------|----------------|
| 2010-1  | Repeat Finding |
| 2010-2  | Repeat Finding |
| 2010-3  | Repeat Finding |
| 2010-4  | Repeat Finding |
| 2010-5  | Repeat Finding |
| 2010-6  | Repeat Finding |
| 2010-7  | Repeat Finding |
| 2010-8  | Repeat Finding |
| 2010-9  | Corrected      |
| 2010-10 | Repeat Finding |
| 2010-11 | Repeat Finding |
| 2010-12 | Repeat Finding |
| 2010-13 | Repeat Finding |
| 2010-14 | Corrected      |
| 2010-15 | Repeat Finding |
| 2010-16 | Repeat Finding |
| 2010-17 | Repeat Finding |
| 2010-18 | Repeat Finding |
| 2010-19 | Repeat Finding |
| 2010-20 | Repeat Finding |
| 2010-21 | Repeat Finding |

|         |                |
|---------|----------------|
| 2010-22 | Repeat Finding |
| 2010-23 | Corrected      |
| 2010-24 | Corrected      |
| 2010-25 | Corrected      |

Sincerely,

Bingham Moncrief, Superintendent