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**Shaw School District**

Audited Financial Statements  
June 30, 2011

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Shaw School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Shaw School District

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaw 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 April 24, 2012, on our consideration of the Shaw School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic

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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 Shaw 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 Shaw 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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
April 24, 2012

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

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

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2011 increased \$557,079, including a prior period adjustment of \$100, which represents a 468% increase from fiscal year 2010. Total net assets for 2010 decreased \$38,908, including a prior period adjustment of \$18,334, which represents a 25% decrease from fiscal year 2009.
- General revenues amounted to \$4,046,913, and \$4,024,749, or 63% and 62%, of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,364,272, or 37% of total revenues for 2011, and \$2,436,613, or 38% of total revenues for 2010.
- The District had \$5,854,206 and \$6,518,604 in expenses for fiscal years 2011 and 2010; only \$2,364,272 for 2011 and \$2,436,613 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$4,046,913 for 2011 were adequate to provide for these programs. However, general revenues of \$4,024,749 for 2010 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$3,699,751 in revenues and \$3,268,962 in expenditures for 2011, and \$3,727,343 in revenues and \$3,565,379 in expenditures for 2010. The General Fund's fund balance increased by \$185,520, from 2010 to 2011, and increased by \$106,583, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$41,998 for 2011 and decreased by \$24,389 for 2010. The increase for 2011 was due to additions to mobile equipment.
- Long-term debt decreased by \$95,000 for 2011 and decreased by \$95,000 for 2010. This decrease for 2011 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$7,345 for 2011 and increased by \$1,667 for 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

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

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

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

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

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

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

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

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

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

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Notes to the financial statements**

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

**Required Supplemental Information**

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

**Supplemental Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$676,012 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.

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 1,173,663	952,943	23%
Restricted assets	1,159	1,159	0%
Capital assets, net	<u>700,271</u>	<u>658,273</u>	6%
<b>Total assets</b>	<u>1,875,093</u>	<u>1,612,375</u>	16%
Current liabilities	473,614	680,320	(30)%
Long-term debt outstanding	<u>725,467</u>	<u>813,122</u>	(11)%
<b>Total liabilities</b>	<u>1,199,081</u>	<u>1,493,442</u>	(20)%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,271	(134,727)	102%
Restricted	359,146	112,115	220%
Unrestricted	<u>314,595</u>	<u>141,545</u>	122%
<b>Total net assets</b>	<u>\$ 676,012</u>	<u>118,933</u>	468%

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 \$41,998.
- The principal retirement of \$95,000 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$6,411,185 and \$6,461,362, respectively. The total cost of all programs and services was \$5,854,206 for 2011 and \$6,518,604 for 2010.

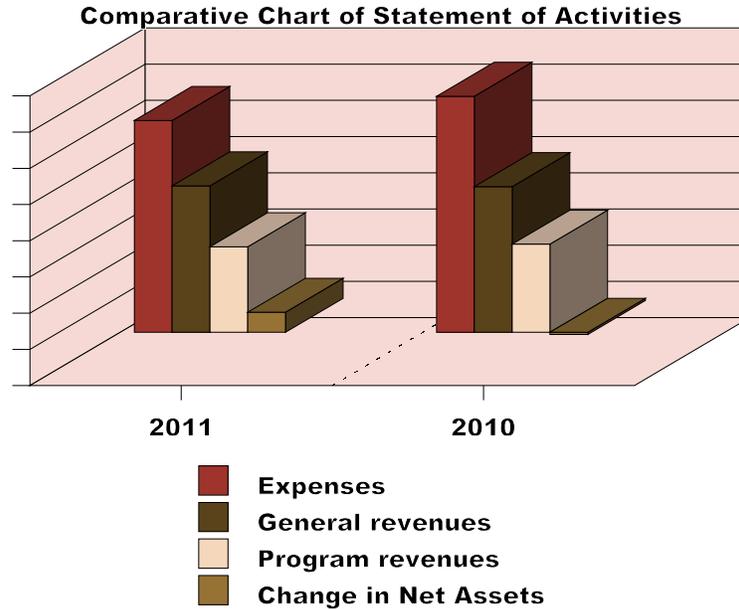
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Table 2**  
**Changes in Net Assets**

	<b>Year Ended June 30, 2011</b>	<b>Year Ended June 30, 2010</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 97,641	95,595	2%
Operating grants and contributions	2,244,509	2,341,018	(4)%
Capital grants and contributions	22,122		
Total program revenues	<u>2,364,272</u>	<u>2,436,613</u>	(3)%
General revenues:			
Property taxes	1,034,897	1,011,431	2%
Grants and contributions not restricted	2,778,893	2,838,327	(2)%
Unrestricted investment earnings	16	15	7%
Sixteenth section sources	177,032	147,851	20%
Other	<u>56,075</u>	<u>27,125</u>	107%
Total general revenues	<u>4,046,913</u>	<u>4,024,749</u>	1%
<b>Total revenues</b>	<u>6,411,185</u>	<u>6,461,362</u>	(1)%
<b>Expenses:</b>			
Instruction	3,078,886	3,897,220	(21)%
Support services	2,323,527	2,016,630	15%
Non-instructional	423,944	558,293	(24)%
Sixteenth section	11	21	(48)%
Interest on long-term debt	<u>27,838</u>	<u>46,440</u>	(40)%
<b>Total expenses</b>	<u>5,854,206</u>	<u>6,518,604</u>	(10)%
Increase (Decrease) in net assets	<u>556,979</u>	<u>(57,242)</u>	(1073)%
Net Assets, July 1, as originally reported	118,933	157,841	(25)%
Prior Period Adjustment	<u>100</u>	<u>18,334</u>	(99)%
Net Assets, July 1, as restated	<u>119,033</u>	<u>176,175</u>	(32)%
Net Assets, June 30	<u>\$ <u>676,012</u></u>	<u>118,933</u>	468%

**Shaw 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**

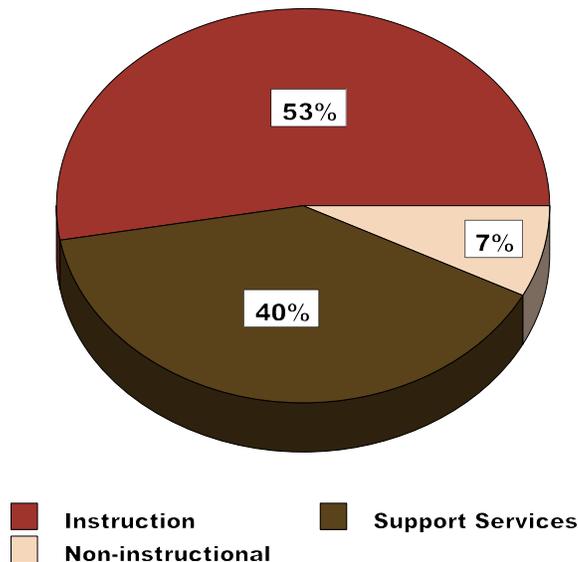
	<b>Total Expenses</b>		
	<b>2011</b>	<b>2010</b>	<b>Percentage Change</b>
Instruction	\$ 3,078,886	3,897,220	(21)%
Support services	2,323,527	2,016,630	15%
Non-instructional	423,944	558,293	(24)%
Sixteenth section	11	21	(48)%
Interest on long-term liabilities	27,838	46,440	(40)%
<b>Total expenses</b>	<b>\$ 5,854,206</b>	<b>6,518,604</b>	<b>(10)%</b>

Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Net (Expense) Revenue**

	<b>2011</b>	<b>2010</b>	<b>Percentage Change</b>
Instruction	\$ (1,971,749)	(2,519,095)	(22)%
Support services	(1,469,604)	(1,211,625)	21%
Non-instructional	(20,732)	(304,810)	(93)%
Sixteenth section	(11)	(21)	(48)%
Interest on long-term liabilities	(27,838)	(46,440)	(40)%
<b>Total net (expense) revenue</b>	<b>\$ (3,489,934)</b>	<b>(4,081,991)</b>	<b>(15)%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$3,489,934 for 2011 and \$4,081,991 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$1,034,897 for 2011 and \$1,011,431 for 2010) and state and federal revenues of (\$2,778,893 for 2011 and \$2,838,327 for 2010). In addition, there was \$177,032 and \$147,851 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$16 for 2011 and \$15 for 2010.

**Shaw School District**

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$706,333, an increase of \$414,012, which includes an increase in inventory of \$909. \$336,967, or 48% of the fund balance is unassigned, represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$369,366, or 52% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The net increase in fund balance in the General Fund for the fiscal year was \$185,520. The fund balance of Other Governmental Funds showed an increase in the amount of \$9,325, which includes an increase in inventory of \$909 to reflect the change in inventory during the year. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 219,167

**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.

- Revenues from local and state sources were decreased in the General Fund to accurately reflect revenues received during the year.

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

- Expenditures for instructional, support services and facilities acquisition and construction were decreased from the amounts originally budgeted. Original amounts were overstated.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$2,357,111, including school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$39,756 from 2010. Total accumulated depreciation as of June 30, 2011 was \$1,656,840, and total depreciation expense for the year was \$47,942, resulting in total net capital assets of \$700,271.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Buildings	\$ 296,838	304,340	(2)%
Building improvements	236,716	248,425	(5)%
Mobile equipment	142,911	64,546	121%
Furniture and equipment	23,680	35,336	(33)%
Leased property under capital leases	126	5,626	(98)%
<b>Total</b>	<u>\$ 700,271</u>	<u>658,273</u>	6%

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

**Debt Administration.** At June 30, 2011, the District had \$725,467 in outstanding long-term debt, of which \$95,000 is due within one year. The liability for compensated absences increased \$7,345 from the prior year.

**Shaw School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 495,000	545,000	(9)%
Three mill notes payable	203,000	248,000	(18)%
Compensated absences payable	27,467	20,122	37%
<b>Total</b>	<b>\$ <u>725,467</u></b>	<b><u>813,122</u></b>	<b>(11)%</b>

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

**CURRENT ISSUES**

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

Enrollment for the 2010 - 2011 decreased by 6% to 527 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Shaw School District, PO Box 510, Shaw, MS 38773.

## FINANCIAL STATEMENTS

**SHAW SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 1,055,590
<i>Due from other governments</i>	114,679
<i>Other receivables, net</i>	720
<i>Inventories</i>	2,674
<i>Restricted assets</i>	1,159
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	296,838
<i>Building improvements</i>	236,716
<i>Mobile equipment</i>	142,911
<i>Furniture and equipment</i>	23,680
<i>Leased property under capital leases</i>	126
<b>Total Assets</b>	<u>1,875,093</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	339,093
<i>Due to other governments</i>	1,088
<i>Unearned revenue</i>	108,254
<i>Other Payables</i>	20,054
<i>Interest payable on long-term liabilities</i>	5,125
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	95,000
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	603,000
<i>Non-capital related liabilities</i>	27,467
<b>Total Liabilities</b>	<u>1,199,081</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,271
Restricted For:	
Expendable:	
School-based activities	342,249
Forestry improvements	484
Unemployment benefits	15,254
Non-expendable:	
Sixteenth section	1,159
Unrestricted	314,595
<b>Total Net Assets</b>	<u>\$ 676,012</u>

The accompanying notes are an integral part of this statement.

**SHAW SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
<i>Instruction</i>	3,078,886	70,438	1,014,577	22,122	(1,971,749)
<i>Support services</i>	2,323,527	--	853,923	--	(1,469,604)
<i>Noninstructional services</i>	423,944	27,203	376,009	--	(20,732)
<i>Sixteenth section</i>	11	--	--	--	(11)
<i>Interest on long-term liabilities</i>	27,838	--	--	--	(27,838)
Total Governmental Activities	<u>\$ 5,854,206</u>	<u>\$ 97,641</u>	<u>\$ 2,244,509</u>	<u>\$ 22,122</u>	<u>(3,489,934)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					982,008
<i>Debt purpose levies</i>					52,889
Unrestricted grants and contributions:					
<i>State</i>					2,560,022
<i>Federal</i>					218,871
<i>Unrestricted investment earnings</i>					16
<i>Sixteenth section sources</i>					177,032
<i>Other</i>					56,075
Total General Revenues					<u>4,046,913</u>
Change in Net Assets					<u>556,979</u>
Net Assets - Beginning, as originally reported					118,933
Prior Period Adjustment					100
Net Assets - Beginning, as restated					<u>119,033</u>
Net Assets - Ending					<u>\$ 676,012</u>

The accompanying notes are an integral part of this statement.

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**SHAW SCHOOL DISTRICT**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General Fund</u>	<u>Title I Fund</u>
<b>Assets</b>		
<i>Cash and cash equivalents</i>	\$ 383,719	\$ 42,981
<i>Due from other governments</i>	25,491	16,915
<i>Other receivables, net</i>	--	--
<i>Due from other funds</i>	180,091	224
<i>Inventories</i>	--	--
<b>Total Assets</b>	<u>\$ 589,301</u>	<u>\$ 60,120</u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>	\$ 231,769	\$ 43,205
<i>Due to other funds</i>	10,345	16,915
<i>Unearned revenue</i>	--	--
<i>Other Payables</i>	--	--
<b>Total Liabilities</b>	<u>242,114</u>	<u>60,120</u>
 <b>Fund balances:</b>		
<b>Nonspendable:</b>		
<i>Permanent fund principal</i>	--	--
<i>Inventory</i>	--	--
<b>Restricted:</b>		
<i>Unemployment benefits</i>	--	--
<i>Forestry improvement purposes</i>	--	--
<i>Grant activities</i>	--	--
<i>Food service</i>	--	--
<i>Sixteenth section interest</i>	--	--
<b>Assigned:</b>		
<i>General activity</i>	10,220	--
<b>Unassigned</b>	336,967	--
<b>Total Fund Balances</b>	<u>347,187</u>	<u>--</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 589,301</u>	<u>\$ 60,120</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ 215,972	\$ 414,077	\$ 1,056,749
--	51,808	94,214
720	--	720
2,486	19,821	202,622
--	2,674	2,674
<u>\$ 219,178</u>	<u>\$ 488,380</u>	<u>\$ 1,356,979</u>
\$ --	\$ 64,119	\$ 339,093
11	155,974	183,245
--	108,254	108,254
--	20,054	20,054
<u>11</u>	<u>348,401</u>	<u>650,646</u>
--	1,159	1,159
--	2,674	2,674
--	15,254	15,254
--	484	484
--	110,284	110,284
--	10,124	10,124
219,167	--	219,167
--	--	10,220
--	--	336,967
<u>219,167</u>	<u>139,979</u>	<u>706,333</u>
<u>\$ 219,178</u>	<u>\$ 488,380</u>	<u>\$ 1,356,979</u>

**SHAW SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

Total fund balances for governmental funds	\$ 706,333
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	700,271
Liabilities due in one year are not reported in the funds.	(95,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(445,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(5,125)
Payables for notes which are not due in the current period are not reported in the funds.	(158,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(27,467)</u>
Net assets of governmental activities	<u>\$ 676,012</u>

The accompanying notes are an integral part of this statement.

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**SHAW SCHOOL DISTRICT***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011*

	General Fund	Title I Fund
<b>Revenues:</b>		
Local sources	\$ 1,058,521	\$ 2,495
State sources	2,568,470	--
Federal sources	72,760	724,456
Sixteenth section sources	--	--
Total Revenues	<u>3,699,751</u>	<u>726,951</u>
<b>Expenditures:</b>		
Instruction	1,781,663	219,132
Support services	1,482,190	442,091
Noninstructional services	--	65,728
Sixteenth section	--	--
Debt service:		
Principal	--	--
Interest	2,325	--
Other	2,784	--
Total Expenditures	<u>3,268,962</u>	<u>726,951</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>430,789</u>	<u>--</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	44,402	--
Transfers out	(289,671)	--
Total Other Financing Sources (Uses)	<u>(245,269)</u>	<u>--</u>
Net change in Fund Balances	<u>185,520</u>	<u>--</u>
Fund Balances:		
July 1, 2010	161,667	--
Increase (decrease) in reserve for inventory	--	--
June 30, 2011	<u>\$ 347,187</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ 42,146	\$ 85,467	\$ 1,188,629
--	347,282	2,915,752
--	1,332,556	2,129,772
177,032	--	177,032
<u>219,178</u>	<u>1,765,305</u>	<u>6,411,185</u>
--	1,034,036	3,034,831
--	482,649	2,406,930
--	354,330	420,058
11	--	11
--	95,000	95,000
--	36,143	38,468
--	--	2,784
<u>11</u>	<u>2,002,158</u>	<u>5,998,082</u>
<u>219,167</u>	<u>(236,853)</u>	<u>413,103</u>
--	289,671	334,073
--	(44,402)	(334,073)
<u>--</u>	<u>245,269</u>	<u>--</u>
<u>219,167</u>	<u>8,416</u>	<u>413,103</u>
--	130,654	292,321
--	909	909
<u>\$ 219,167</u>	<u>\$ 139,979</u>	<u>\$ 706,333</u>

**SHAW SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011*

Net change in fund balances - total governmental funds	\$ 413,103
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	92,991
The depreciation of capital assets used in governmental activities is not reported in the funds.	(47,942)
The gain or loss on the sale of capital assets is not reported in the funds.	(3,151)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	50,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	45,000
(Increase) decrease in accrued interest from beginning of period to end of period.	13,414
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	909
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	<u>(7,345)</u>
Change in net assets of governmental activities	<u>\$ 556,979</u>

The accompanying notes are an integral part of this statement.

**SHAW SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

## FIDUCIARY FUNDS

JUNE 30, 2011

	Agency Funds
<b>Assets</b>	
<i>Cash and other deposits</i>	\$ 24,184
<i>Due from other funds</i>	1,088
<b>Total Assets</b>	<b>\$ 25,272</b>
<b>Liabilities</b>	
<i>Due to student clubs</i>	\$ 4,807
<i>Due to other funds</i>	20,465
<b>Total Liabilities</b>	<b>\$ 25,272</b>

The accompanying notes are an integral part of this statement.

**Shaw School District**

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

## Shaw 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, Shaw 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

## Shaw School District

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

tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

## Shaw School District

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

Sixteenth Section Interest Fund - This fund accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures or maintenance and improvements to said property.

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

The school district also reports fiduciary funds which focus on assets and liabilities only.

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 Fund - This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

## Shaw School District

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

### 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.

Ad valorem property taxes are levied by the governing authorities 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

## Shaw School District

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

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 the 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.

## Shaw School District

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

### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 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.

## Shaw School District

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

**Shaw School District**

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

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

7. **Compensated Absences**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so 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.

## Shaw School District

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

### 9. Fund Balances

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

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

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

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

*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. Currently there is no committed fund balance for this 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 policy adopted by the school district.

*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.

## Shaw School District

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

When an expenditure 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 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

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

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

#### 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 \$1,056,749 and \$24,184, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$1,055,590 and a portion of restricted assets in the amount of \$1,159 (see Note 4). The bank balance was \$1,246,833.

*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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$1,246,833 was exposed to custodial credit risk.

## Shaw 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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 16,915
	Sixteenth Section Interest Fund	11
	Other Governmental Funds	155,974
	Fiduciary Funds	7,191
Title I Fund	General Fund	224
Sixteenth Section Interest Fund	General Fund	2,486
Other Governmental Funds	General Fund	6,547
	Fiduciary Funds	13,274
Fiduciary Funds	General Fund	1,088
Total		\$ <u><u>203,710</u></u>

The purpose of the Due From/To other funds balances was to cover deficit cash balances.

All balances are expected to be repaid within one year from the date of the financial statements.

#### B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 44,402
Other Governmental Funds	General Funds	<u>289,671</u>
Total		\$ <u><u>334,073</u></u>

The primary purpose of the inter-fund transfers was to transfer federal program indirect cost and expendable sixteenth section funds to the General Fund and to close out federal program funds at fiscal year end. These transfers were consistent with the activities of the fund making the transfer.

### Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$1,159, 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.

**Shaw 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:

	Balance 7-1-2010	Additions	Retirements	Adjustments	Balance 6-30-2011
<u>Depreciable capital assets:</u>					
Buildings	\$ 1,446,686				1,446,686
Building improvements	292,725				292,725
Mobile equipment	354,700	92,991	20,000	11,450	439,141
Furniture and equipment	205,144		39,185		165,959
Leased property under capital leases	18,100			(5,500)	12,600
Total depreciable capital assets	<u>2,317,355</u>	<u>92,991</u>	<u>59,185</u>	<u>5,950</u>	<u>2,357,111</u>
<u>Less accumulated depreciation for :</u>					
Buildings	1,142,346	7,502			1,149,848
Building improvements	44,300	11,709			56,009
Mobile equipment	290,154	18,226	18,000	5,850	296,230
Furniture and equipment	169,808	10,505	38,034		142,279
Leased property under capital leases	12,474				12,474
Total accumulated depreciation	<u>1,659,082</u>	<u>47,942</u>	<u>56,034</u>	<u>5,850</u>	<u>1,656,840</u>
Total depreciable capital assets, net	<u>658,273</u>	<u>45,049</u>	<u>3,151</u>	<u>100</u>	<u>700,271</u>
Governmental activities capital assets, net	<u>\$ 658,273</u>	<u>45,049</u>	<u>3,151</u>	<u>100</u>	<u>700,271</u>

Adjustments were made to record assets as well as the related accumulated depreciation not previously recognized and to correctly state leased property at the end of the year.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 33,559
Support services	9,588
Non-instructional	4,795
Total depreciation expense	<u>\$ 47,942</u>

**Note 6 - Long-term Liabilities**

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

**Shaw School District**

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

		Balance 7-1-2010	Additions	Reductions	Balance 6-30-2011	Amounts due within one year
A.	Limited obligation bonds payable	\$ 545,000		50,000	495,000	50,000
B.	Three mills note payable	248,000		45,000	203,000	45,000
C.	Compensated absences payable	20,122	7,345		27,467	
	Total	\$ <u>813,122</u>	<u>7,345</u>	<u>95,000</u>	<u>725,467</u>	<u>95,000</u>

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 1998	5.0%	05-01-98	02-01-18	\$ <u>2,600,000</u>	<u>495,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 50,000	23,500	73,500
2013	55,000	20,875	75,875
2014	55,000	18,125	73,125
2015	60,000	15,250	75,250
2016	65,000	12,125	77,125
2017 - 2018	210,000	14,375	224,375
Total	\$ <u>495,000</u>	<u>104,250</u>	<u>599,250</u>

This debt will be retired from the MAEP Debt Fund (#4041).

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

**B. Three mill notes payable**

Debt currently outstanding is as follows:

**Shaw School District**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2005	4.09%	12-19-05	10-15-15	\$ <u>425,000</u>	<u>203,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 45,000	8,303	53,303
2013	40,000	6,462	46,462
2014	40,000	4,826	44,826
2015	39,000	3,190	42,190
2016	<u>39,000</u>	<u>1,595</u>	<u>40,595</u>
Total	\$ <u>203,000</u>	<u>24,376</u>	<u>227,376</u>

This debt will be retired from the Three Mill Ten Year Note Fund.

**C. Compensated absences payable**

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

**Note 7 - 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 supplemental 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 the 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

## Shaw School District

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

\$367,231, \$414,721, and \$366,019, respectively, which equaled the required contributions for each year.

### Note 8 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 144,145
2013	144,145
2014	88,395
2015	88,395
2016	70,320
Total	\$ <u>535,400</u>

### Note 9 - Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

#### Exhibit B - Statement of Activities

<u>Explanation</u>	Amount
1. To record assets as well as the related accumulated depreciation not previously recognized and to correctly state leased property at the end of the year.	\$ <u>100</u>

### Note 10 - Contingencies

Federal Grants - The school has received federal grants for specific purposes that are subject to audit by the grantors agencies. Entitlements to these resources are generally conditional upon compliance with 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.

## **Shaw School District**

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

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

### **Note 11 - Risk Management**

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

REQUIRED SUPPLEMENTAL INFORMATION

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

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,105,224	1,058,520	1,058,521	(46,704)	1
State sources	2,785,166	2,568,470	2,568,470	(216,696)	0
Federal sources	36,979	72,760	72,760	35,781	0
Total Revenues	<u>3,927,369</u>	<u>3,699,750</u>	<u>3,699,751</u>	<u>(227,619)</u>	<u>1</u>
<b>Expenditures:</b>					
Instruction	2,140,603	1,832,307	1,781,663	308,296	50,644
Support services	1,630,489	1,482,190	1,482,190	148,299	0
Facilities acquisition and construction	40,391			40,391	0
Debt service:					
Interest	5,100	2,324	2,325	2,776	(1)
Other			2,784	0	(2,784)
Total Expenditures	<u>3,816,583</u>	<u>3,316,821</u>	<u>3,268,962</u>	<u>499,762</u>	<u>47,859</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>110,786</u>	<u>382,929</u>	<u>430,789</u>	<u>272,143</u>	<u>47,860</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	428,955	348,810	44,402	(80,145)	(304,408)
Operating transfers out	(565,529)	(594,080)	(289,671)	(28,551)	304,409
Total Other Financing Sources (Uses)	<u>(136,574)</u>	<u>(245,270)</u>	<u>(245,269)</u>	<u>(108,696)</u>	<u>1</u>
Net Change in Fund Balances	<u>(25,788)</u>	<u>137,659</u>	<u>185,520</u>	<u>163,447</u>	<u>47,861</u>
<b>Fund Balances:</b>					
July 1, 2010	207,812	212,315	161,667	4,503	(50,648)
June 30, 2011	<u>\$ 182,024</u>	<u>349,974</u>	<u>347,187</u>	<u>167,950</u>	<u>(2,787)</u>

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

**SHAW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2011

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$		2,495	0	2,495
Federal sources		791,796	724,456	(67,340)	0
Total Revenues		<u>791,796</u>	<u>726,951</u>	<u>(67,340)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction		342,603	219,132	123,471	0
Support services		240,731	442,091	(200,801)	(559)
Noninstructional services		69,281	65,728	3,553	0
Total Expenditures		<u>652,615</u>	<u>726,951</u>	<u>(73,777)</u>	<u>(559)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>139,181</u>	<u>0</u>	<u>(141,117)</u>	<u>1,936</u>
Net Change in Fund Balances		<u>139,181</u>	<u>0</u>	<u>(141,117)</u>	<u>1,936</u>
<b>Fund Balances:</b>					
July 1, 2010		40,873	0	(40,873)	0
Prior period adjustment			2,495	2,495	(2,495)
July 1, 2010, as restated		<u>40,873</u>	<u>0</u>	<u>(38,378)</u>	<u>(2,495)</u>
June 30, 2011	\$	<u>180,054</u>	<u>0</u>	<u>(179,495)</u>	<u>(559)</u>

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

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

**Exhibit 3**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$		42,146	0	42,146
Sixteenth section sources		167,150	177,032	9,882	0
Total Revenues		167,150	219,178	9,882	42,146
<b>Expenditures:</b>					
Sixteenth section		6,972	11	6,961	0
Total Expenditures		6,972	11	(6,961)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures		160,178	219,167	2,921	42,146
<b>Other Financing Sources (Uses):</b>					
Operating transfers out		(150,000)		150,000	0
Total Other Financing Sources (Uses)		(150,000)	0	150,000	0
Net Change in Fund Balances		10,178	219,167	152,921	42,146
<b>Fund Balances:</b>					
July 1, 2010		42,146	0	0	(42,146)
June 30, 2011	\$	52,324	219,167	152,921	0

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

## **Shaw School District**

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

### **Budgetary Comparison Schedules**

(1) Basis of Presentation

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

(2) Budget amendments and revisions

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

## SUPPLEMENTAL INFORMATION

**Shaw School District**

**Schedule 1**

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

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 86,532
National School Lunch Program	10.555	252,732
Total Child Nutrition Cluster		<u>339,264</u>
Total U.S. Department of Agriculture		<u>339,264</u>
<b><u>FEDERAL COMMUNICATIONS COMMISSION</u></b>		
Administered through Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	53,811
Total Federal Communications Commission		<u>53,811</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	726,392
ARRA - Title I to LEAs - Recovery Act	84.389	30,600
Total Title I Cluster		<u>756,992</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	135
Twenty-First Century Community Learning Centers	84.287	202,148
Reading First State Grants	84.357	129,634
Improving Teacher Quality - State Grants	84.367	157,850
ARRA - State Fiscal Stabilization Fund, Recovery Act	84.394	165,060
Education Jobs Fund	84.410	123,030
Sub-total		<u>777,857</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	148,044
Special Education - Preschool Grants	84.173	10,971
ARRA - Special Education - Grants to States, Recovery Act	84.391	111,077
Total special education cluster		<u>270,092</u>
Total passed-through the Mississippi Department of Education		<u>1,804,941</u>
Total U.S. Department of Education		<u>1,804,941</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
Passed-through the Mississippi Department of Health and Human Services:		
Community Based Abstinence Education	93.010	132,833
Medical Assistance Program	93.778	18,949
Total U.S. Department of Health and Human Services		<u>151,782</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ <u>2,349,798</u></b>

**Notes to Schedule:**

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,265,032	3,095,101	411,099	247,911	510,921
Other	<u>1,733,050</u>	<u>680,559</u>	<u>221,866</u>	<u>30,883</u>	<u>799,742</u>
Total	<u>\$ 5,998,082</u>	<u>3,775,660</u>	<u>632,965</u>	<u>278,794</u>	<u>1,310,663</u>
Total number of students*	<u>527</u>				
Cost per student	<u>\$ 11,381</u>	<u>7,164</u>	<u>1,201</u>	<u>529</u>	<u>2,487</u>

NOTES TO SCHEDULE

1. 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.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories

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

## OTHER INFORMATION

**SHAW SCHOOL DISTRICT**

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

General Fund

Last Four Years

"UNAUDITED"

	2011	2010*	2009	2008*
<b>Revenues:</b>				
Local sources	\$ 1,058,521	1,045,661	1,053,584	1,036,136
State sources	2,568,470	2,644,703	2,998,130	3,320,693
Federal sources	72,760	36,979	500	36,300
Total Revenues	<u>3,699,751</u>	<u>3,727,343</u>	<u>4,052,214</u>	<u>4,393,129</u>
<b>Expenditures:</b>				
Instruction	1,781,663	2,118,149	2,467,872	2,574,017
Support services	1,482,190	1,443,866	1,492,853	1,640,564
Debt service:				
Principal				21,146
Interest	2,325		5,008	3,001
Other	2,784	3,364		
Total Expenditures	<u>3,268,962</u>	<u>3,565,379</u>	<u>3,965,733</u>	<u>4,238,728</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>430,789</u>	<u>161,964</u>	<u>86,481</u>	<u>154,401</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	44,402	148,146	194,000	
Operating transfers out	(289,671)	(203,527)	(232,304)	(165,943)
Other financing uses			(6,992)	
Total Other Financing Sources (Uses)	<u>(245,269)</u>	<u>(55,381)</u>	<u>(45,296)</u>	<u>(165,943)</u>
Net Change in Fund Balances	<u>185,520</u>	<u>106,583</u>	<u>41,185</u>	<u>(11,542)</u>
<b>Fund Balances:</b>				
July 1,	161,667	55,084	106,693	118,235
Prior period adjustments			(92,794)	
July 1, restated	<u>161,667</u>	<u>55,084</u>	<u>13,899</u>	
June 30,	<u>\$ 347,187</u>	<u>161,667</u>	<u>55,084</u>	<u>106,693</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**SHAW SCHOOL DISTRICT**

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	\$ 1,188,629	1,208,304	1,178,084	1,138,929
State sources	2,915,752	2,740,308	3,155,418	3,419,591
Federal sources	2,129,772	2,364,899	2,073,891	2,031,569
Sixteenth section sources	177,032	147,851	180,064	183,222
Total Revenues	<u>6,411,185</u>	<u>6,461,362</u>	<u>6,587,457</u>	<u>6,773,311</u>
<b>Expenditures:</b>				
Instruction	3,034,831	3,880,229	3,691,083	3,933,983
Support services	2,406,930	1,998,122	2,072,261	2,272,713
Noninstructional services	420,058	549,577	483,719	392,063
Sixteenth section	11	21	6,918	5,614
Facilities acquisition and construction			8,395	
Debt service:				
Principal	95,000	95,446	91,459	115,246
Interest	38,468	40,484	50,354	51,873
Other	2,784	3,364	59	
Total Expenditures	<u>5,998,082</u>	<u>6,567,243</u>	<u>6,404,248</u>	<u>6,771,492</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>413,103</u>	<u>(105,881)</u>	<u>183,209</u>	<u>1,819</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	334,073	430,173	426,304	358,836
Operating transfers out	(334,073)	(430,173)	(426,304)	(358,836)
Other financing uses			(6,992)	
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(6,992)</u>	<u>0</u>
Net Change in Fund Balances	<u>413,103</u>	<u>(105,881)</u>	<u>176,217</u>	<u>1,819</u>
<b>Fund Balances:</b>				
July 1,	292,321	397,581	314,896	313,311
Prior period adjustments			(92,794)	
July 1, restated	<u>292,321</u>	<u>397,581</u>	<u>222,102</u>	<u>313,311</u>
Increase (Decrease) in reserve for inventory	909	621	(738)	(234)
June 30,	<u>\$ 706,333</u>	<u>292,321</u>	<u>397,581</u>	<u>314,896</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Shaw School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shaw School District as of and for the year ended June 30, 2011, which collectively comprise the Shaw School District's basic financial statements and have issued our report thereon dated April 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Shaw 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. [Finding 2011-1 and 2011-2]. 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shaw School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted a certain matter that we reported to management of the Shaw School District in a separate letter dated April 24, 2012.

Shaw 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 Shaw 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
April 24, 2012

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Shaw School District

**Compliance**

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

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

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

**Internal Control Over Compliance**

Management of the Shaw School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
April 24, 2012

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Shaw School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaw School District as of and for the year ended June 30, 2011, which collectively comprise Shaw School District's basic financial statements and have issued our report thereon dated April 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure 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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$11,624 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations.

Our finding and recommendation and your response is as follows:

Finding 1:

Section 37-9-27, Mississippi Code Ann. (1972) states that the superintendent should be bonded for \$100,000. We found that the superintendent was bonded for \$50,000.

Recommendation:

The District should comply with Section 37-9-27, Miss. Code Ann. (1972).

School District's Response:

The School District accepts the recommendation of the auditor.

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
April 24, 2012

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Shaw 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: Unqualified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

CFDA Numbers	Name of Federal Program or Cluster
84.010 & 84.389	Title I Cluster
84.367	Improving Teacher Quality - State Grants
84.027, 84.173 & 84.391	SPED Cluster

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

## Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*:

### **Significant Deficiencies:**

#### Finding 2011-1:

Management is responsible for establishing a proper internal control system to ensure financial accountability and proper reporting of revenues. During the course of our audit we found that there was a lack of controls relating to the segregation of duties. The same individual performed the following functions in the revenue cycle: prepared receipts, deposit slips, deposited funds into the bank, entered receipts into the general ledger, prepared journal entries and bank reconciliations. Additionally, we noted there was not proper segregation of duties in the payroll nor the expenditures cycle. The lack of segregation of duties increases the risk that unauthorized or inappropriate transactions could be processed and district personnel not detecting irregularities during the normal course of their duties on a timely basis.

#### Recommendation:

We recommend the district to establish controls relating to segregation of duties.

#### Finding 2011-2:

An effective system of internal controls should provide for timely and accurate bank reconciliations. We found that bank reconciliations were not performed in a timely manner. Lack of timely bank reconciliations could cause the district's accounts balances to be misstated. Proper internal controls should also include a review of bank reconciliations periodically by an independent person.

During our test of bank reconciliations we noted that some bank statement reconciliations had no documentation of a review by an independent person. We also noted some reconciliations contained errors that caused the reconciled cash balances not to agree to the cash balances noted within the financial statements.

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 the district personnel not detecting the problem while performing their normal duties. If adjustments are made to cash, the reconciliations should also be updated to reflect correct information.

#### Recommendation:

We recommend the district implement policies and procedures to ensure all bank reconciliations are performed in a timely manner. We also recommend a periodic review of the bank reconciliations by a person independent of the receipt and disbursement functions.

### Section III: Federal Award Findings and Questioned Costs

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

**Shaw School District**  
PO Box 510  
Shaw, MS 38773  
**Dr. Cederick Ellis, Sr. - Superintendent**  
**Ross Saddler - Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315(c) of OMB Circular A-133, the Shaw 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>
2011-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Ross Saddler Title: Business Manager Phone: 662-754-2611</p> <p>b. Corrective Action Planned:</p> <p>We are still training all Central Office staff to be able to perform all functions in the revenue cycle so that we may maintain proper segregation of duties.</p> <p>c. Anticipated Completion Date:</p> <p>6/30/2012</p>
2011-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Ross Saddler Title: Business Manager Phone: 662-754-2611</p> <p>b. Corrective Action Planned:</p> <p>We will implement policies and procedures to ensure all bank reconciliations are completed in a timely manner.</p> <p>c. Anticipated Completion Date:</p> <p>6/30/2012</p>

**Shaw School District**  
PO Box 510  
Shaw, MS 38773  
**Dr. Cederick Ellis, Sr. - Superintendent**  
**Ross Saddler - Business Manager**

AUDITEE'S SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the Shaw School District has prepared and hereby submits the following summary of prior year audit findings:

<u>Finding</u>	<u>Status</u>
2010-4	Corrected
2010-5	Corrected
2010-6	Corrected