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South Delta School District
Financial Statements
June 30, 2011

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi







SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

SOUTH DELTA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT
ON
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
South Delta School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2011, which collectively comprise the South Delta School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Delta 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta 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 March 12, 2012, on our consideration of the South Delta School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

March 12, 2012

Ellis & Hinberg CPA PLLC

SOUTH DELTA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH DELTA SCHOOL DISTRICT

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

The discussion and analysis of South Delta School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets for 2011 increased \$1,148,483, which represents a 14.02% increase from fiscal year 2010. Total net assets for 2010 increased \$409,151, which represents a 5.26% increase from fiscal year 2009.

General revenues account for \$7,390,739 and \$7,345,299 in revenue, or 58.44% and 62.03% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,256,858 or 41.56% of total revenues for 2011 and \$4,496,718 or 37.97% of total revenues for 2010.

The District had \$11,449,114 and \$11,432,866 in expenses for fiscal years 2011 and 2010, respectively; only \$5,256,858 for 2011 and \$4,496,718 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,390,739 for 2011 and \$7,345,299 for 2010 were adequate to provide for these programs.

Among major funds, the General Fund had \$6,121,241 in revenues and \$5,489,355 in expenditures for 2011 and \$6,345,529 in revenues and \$5,968,350 in expenditures in 2010. The General Fund's fund balance increased by \$126,677 from 2010 to 2011 and increased by \$780,014 from 2009 to 2010. These increases were due to sound and conservative fiscal practices.

Capital assets, net of accumulated depreciation, decreased by \$72,691 for 2011 and decreased by \$261,761 for 2010. The decrease for 2011 was due to the disposal of assets as well as an increase in accumulated depreciation from the previous year.

Long-term debt increased by \$2,203,120 for 2011 and decreased by \$4,425 for 2010. This increase was due to the issuance of \$2,210,000 in Qualified School Construction Bonds (QSCB) during the year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$9,342,563 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 for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 1
CONDENSED STATEMENT OF NET ASSETS

	2011	2010	Percentage Change
Current assets	\$ 11,632,655	7,511,849	54.86%
Capital assets, net	1,356,181	1,428,872	(5.09%)
Total assets	<u>12,988,836</u>	<u>8,940,721</u>	45.28%
Current liabilities	1,365,376	668,864	104.13%
Long-term debt outstanding	2,280,897	77,777	2830.61%
Total liabilities	<u>3,646,273</u>	<u>746,641</u>	388.36%
Net assets:			
Invested in capital assets, net of related debt	1,356,181	1,428,872	(5.09%)
Restricted	6,986,952	5,192,894	34.55%
Unrestricted	999,430	1,572,314	(36.44%)
Total net assets	<u>\$ 9,342,563</u>	<u>8,194,080</u>	14.02%

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

- Increase in current assets in the amount of \$4,120,806 due mainly to the increase in cash.
- Increase in long-term debt outstanding due to the issuance of \$2,210,000 in QSCB.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$12,647,597 and \$11,842,017, respectively. The total cost of all programs and services for 2011 was \$11,499,114 and \$11,432,866 for 2010. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
CHANGES IN NET ASSETS

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues			
Charges for services	\$ 164,062	177,231	(7.43%)
Operating grants & contributions	5,092,796	4,319,487	17.90%
General revenues			
Property taxes	1,723,255	1,618,703	6.46%
Unrestricted grants	4,500,858	4,892,403	(8.00%)
Investment Earnings	58,065	93,680	(38.02%)
Sixteenth Section Sources	1,071,183	686,410	56.06%
Other	37,378	54,103	(30.91%)
Total revenues	<u>12,647,597</u>	<u>11,842,017</u>	<u>6.80%</u>
Expenses:			
Instruction	6,285,928	6,276,434	0.15%
Support services	4,318,931	4,243,237	1.78%
Non-instructional	846,334	845,570	0.09%
Sixteenth section	36,351	67,625	(46.25%)
Interest and other expenses on long-term liabilities	11,570		N/A
Total Expenses	<u>11,499,114</u>	<u>11,432,866</u>	<u>.58%</u>
 Increase in net assets	 <u>1,148,483</u>	 <u>409,151</u>	 <u>180.69%</u>
 Net Assets, July 1	 <u>8,194,080</u>	 <u>7,784,929</u>	 <u>5.26%</u>
 Net Assets, June 30	 <u>\$ 9,342,563</u>	 <u>8,194,080</u>	 <u>14.02%</u>

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

Table 3
NET COST OF GOVERNMENTAL ACTIVITIES

	Total Expenses		Percent Change
	2011	2010	2010-2011
Instruction	\$ 6,285,928	6,276,434	.15%
Support services	4,318,931	4,243,237	1.78%
Non-instructional	846,334	845,570	0.09%
Sixteenth section	36,351	67,625	(46.25%)
Interest and other expenses on long-term liabilities	11,570		N/A
Total expenses	<u>\$ 11,499,114</u>	<u>11,432,866</u>	<u>.58%</u>

	<u>Net (Expenses) Revenues</u>		<u>Percent</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Instruction	\$ (3,135,255)	(3,758,543)	16.58%
Support services	(3,092,747)	(3,169,771)	2.43%
Non-instructional	10,067	48,242	(79.13%)
Sixteenth section	(12,751)	(56,076)	77.26%
Interest and other expenses on long-term liabilities	(11,570)		N/A
Total net (expense) revenue	\$ <u>(6,242,256)</u>	<u>(6,936,148)</u>	<u>10.00%</u>

Net cost of governmental activities, \$6,242,256 for 2011 and \$6,936,148 for 2010 was financed by general revenue, which is made up primarily of property taxes of \$1,723,255 for 2011 and \$1,618,703 for 2010, unrestricted state and federal revenues of \$4,500,858 for 2011 and \$4,892,403 for 2010, sixteenth section sources of \$1,071,183 for 2011 and \$686,410 for 2010 and other sources of \$37,378 for 2011 and \$54,103 for 2010.

Investment earnings accounted for \$58,065 for 2011 and \$93,680 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$10,278,848, an increase of \$3,435,657 which includes an increase in inventory of \$207 from the prior year. \$1,122,251 or 11% of the fund balance constitutes unassigned, which is available for spending at the District's discretion. The remaining fund balance is categorized in accordance with GASB Statement 54 as follows:

<u>Category</u>	<u>Amount</u>	<u>Percent of Total</u>
Non-spendable	\$ 2,938	<1%
Restricted	219,883	2%
Committed	2,808,460	26%
Assigned	6,125,316	60%

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$126,677. The fund balance of Other Governmental Funds showed an increase in the amount of \$48,895, including an increase in inventory of \$207. The increase or decrease in the other major funds is shown below.

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic	No increase or decrease
21 st Century	No increase or decrease
Sixteenth Section Interest	\$1,098,876
QSCB Renovation Fund	\$2,161,416

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2011, the District's total capital assets were \$4,912,679, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase in total assets before depreciation of \$168,481 from 2010 to 2011 and an increase of \$59,705 from 2009 to 2010. Total accumulated depreciation as of June 30, 2011, was \$3,556,498 and total depreciation expense for the year was \$259,330, resulting in total net assets of \$1,356,181.

Table 4
CAPITAL ASSETS

	Capital Assets, Net of Depreciation		Percentage Change
	June 30, 2011	June 30, 2010	
Land	\$ 57,128	57,128	0.00%
Buildings	362,641	363,988	(0.37%)
Mobile equipment	702,607	822,540	(14.58%)
Furniture and equipment	233,805	185,216	(26.23%)
Total	\$ <u>1,356,181</u>	<u>1,428,872</u>	<u>(5.09%)</u>

Additional information on the District's capital assets can be found in Note 4 included in this report.

Debt administration. At June 30, 2011 the District has \$2,280,897 of long-term debt outstanding, an increase of \$2,203,120 from the prior year. Of that amount \$70,897 was the compensated absences payable, which decreased by \$6,880 from the prior year.

Table 5
OUTSTANDING LONG-TERM DEBT

	Outstanding Long-Term Debt		Percentage Change
	June 30, 2011	June 30, 2010	
Qualified school construction bonds payable	\$ 2,210,000		N/A
Compensated Absences Payable	70,897	77,777	(8.85%)
Total	\$ <u>2,280,897</u>	<u>77,777</u>	<u>2,832.61%</u>

Additional information on the district's long-term debt can be found in Note 5 to the Financial Statements found in this report.

CURRENT ISSUES

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

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

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

Enrollment for the 2010-2011 year increased by 19 students to 1,092 students. This represents an approximate 2% increase from the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the South Delta School District, P. O. Box 219, Rolling Fork, MS 39159.

SOUTH DELTA SCHOOL DISTRICT

FINANCIAL STATEMENTS

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 10,875,364
Due from other governments	731,809
Other receivables	12,031
Inventories	13,451
Capital assets, not being depreciated:	
Land	57,128
Capital assets, net of accumulated depreciation:	
Buildings	362,641
Mobile equipment	702,607
Furniture and equipment	<u>233,805</u>
Total Assets	\$ <u><u>12,988,836</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 543,332
Unearned revenue	810,474
Interest payable on long-term debt	11,570
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,210,000
Non-capital related liabilities	<u>70,897</u>
Total Liabilities	<u>3,646,273</u>
Net Assets	
Invested in capital assets, net of related debt	1,356,181
Restricted for:	
Expendable:	
School-based activities	4,655,908
Forestry improvements	94,940
Unemployment benefits	26,104
Capital projects	2,210,000
Unrestricted	<u>999,430</u>
Total Net Assets	<u>9,342,563</u>
Total Liabilities and Net Assets	\$ <u><u>12,988,836</u></u>

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

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 6,285,928	86,367	3,064,306		(3,135,255)
Support services	4,318,931		1,226,184		(3,092,747)
Non-instructional services	846,334	54,095	802,306		10,067
Sixteenth section	36,351	23,600			(12,751)
Interest and other expenses on long-term liabilities	11,570				(11,570)
Total governmental activities	\$ 11,499,114	164,062	5,092,796	0	(6,242,256)
General Revenues:					
Taxes:					
General purpose levies 1,723,255					
Unrestricted grants and contributions:					
State 4,043,338					
Federal 457,520					
Unrestricted investment earnings 58,065					
Sixteenth section sources 1,071,183					
Other 37,378					
Total general revenues 7,390,739					
Change in Net Assets 1,148,483					
Net Assets - Beginning 8,194,080					
Net Assets - Ending \$ 9,342,563					

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

SOUTH DELTA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2011

	Major Funds						Total Governmental Funds
	General Fund	Title IA Basic	21st Century	Sixteenth Section Interest	QSCB Renovation	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 1,543,028			6,643,317	2,161,416	527,603	10,875,364
Due from other governments	228,173	171,991	166,375			165,270	731,809
Due from other funds	284,582					33,445	318,027
Inventories and prepaid items	3,278					10,173	13,451
Total Assets	\$ 2,059,061	171,991	166,375	6,643,317	2,161,416	736,491	11,938,651
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 282,146	54,151	78,731	6,829		121,476	543,333
Due to other funds	150	107,359	87,644			110,843	305,996
Deferred revenue		10,481		799,870		123	810,474
Total Liabilities	282,296	171,991	166,375	806,699	0	232,442	1,659,803
Fund Balances:							
Non-spendable:							
Inventory	3,278					10,173	13,451
Restricted:							
Unemployment benefits							
Forestry improvement						26,104	26,104
Other Commitments						94,940	94,940
Committed						98,839	98,839
Capital improvements	647,044				2,161,416		2,808,460
Assigned							
Activity funds	7,470						7,470
Capital improvements						269,578	6,106,196
Other purposes						4,415	4,415
Unassigned	1,118,973						1,118,973
Total Fund Balances	1,776,765	0	0	5,836,618	2,161,416	504,049	10,278,848
Total Liabilities and Fund Balances	\$ 2,059,061	171,991	166,375	6,643,317	2,161,416	736,491	11,938,651

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

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,278,848
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	
Land	\$ 57,128
Buildings	1,577,439
Mobile equipment	1,721,211
Furniture and equipment	1,556,901
Accumulated depreciation	<u>(3,556,498)</u> 1,356,181
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds	
Qualified school construction bonds payable	\$ (2,210,000)
Compensated absences payable	(70,897)
Accrued interest payable	<u>(11,570)</u> (2,292,467)
3. Rounding	<u>1</u>
Total Net Assets - Governmental Activities	\$ <u><u>9,342,563</u></u>

The accompanying notes are an integral part of this financial statement.

SOUTH DELTA SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 For the year ended June 30, 2011

	Major Funds							Total Governmental Funds
	General Fund	Title IA Basic	21 st Century	Sixteenth Section Interest	QSCB Renovation	Other Governmental Funds		
Revenues:								
Local sources	1,829,273					54,457	1,883,730	
State sources	4,095,835					476,433	4,572,268	
Federal sources	196,133	1,438,340	279,936			3,106,977	5,021,386	
Sixteenth section sources				1,121,847		23,965	1,145,812	
Total Revenues	6,121,241	1,438,340	279,936	1,121,847	0	3,661,832	12,623,196	
Expenditures:								
Instruction	2,664,977	907,644	238,806			2,586,142	6,397,569	
Support services	2,823,585	437,319	31,379		48,584	807,893	4,148,760	
Non-instructional services	793	68,036	3,692			766,738	839,259	
Sixteenth section				22,971		13,379	36,350	
Total Expenditures	5,489,355	1,412,999	273,877	22,971	48,584	4,174,152	11,421,938	
Excess (Deficiency) of Revenues Over Expenditures	631,886	25,341	6,059	1,098,876	(48,584)	(512,320)	1,201,258	
Other Financing Sources (Uses):								
Proceeds of loans					2,210,000		2,210,000	
Insurance loss recoveries	15,124						15,124	
Sale of furniture and equipment	9,275						9,275	
Operating transfers in	493,828					580,659	1,074,487	
Operating transfers out	(1,023,436)	(25,341)	(6,059)			(19,651)	(1,074,487)	
Total Other Financing Sources (Uses)	(505,209)	(25,341)	(6,059)	0	2,210,000	561,008	2,234,399	
Net Change in Fund Balances	126,677	0	0	1,098,876	2,161,416	48,688	3,435,657	

Fund Balances:					
July 1, 2010	1,650,088	4,737,742	455,154	6,842,984	
Increase (decrease) in reserve for inventory			207		207
June 30, 2011	\$ 1,776,765	5,836,618	504,049	10,278,848	
		2,161,416			

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

SOUTH DELTA SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2011

	\$	<u>Amount</u>
Net Change in Fund Balances - Total Governmental Funds	\$	3,435,657
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 186,822	
Depreciation expense	<u>(259,330)</u>	(72,508)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		
		(183)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	\$ (2,210,000)	
Accrued interest payable	<u>(11,570)</u>	(2,221,570)
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	\$ 6,880	
Change in inventory reserve	<u>207</u>	<u>7,087</u>
Change in net assets of governmental activities	\$	<u><u>1,148,483</u></u>

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

SOUTH DELTA SCHOOL DISTRICT
 Statement of Fiduciary Assets and Liabilities
 June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>23,381</u>
Total Assets	\$ <u><u>23,381</u></u>
Liabilities	
Due to other funds	\$ 12,031
Due to student clubs	<u>11,350</u>
Total Liabilities	\$ <u><u>23,381</u></u>

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

SOUTH DELTA SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies.

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

A. Basis of Presentation.

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of the 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 non-spendable, 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 of which each member was elected by the citizens of each defined school district.

For financial reporting purposes, South Delta 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

SOUTH DELTA SCHOOL DISTRICT

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

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

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

Fund Financial Statements:

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor 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 IA Basic - This is a federal program to supplement classroom teaching efforts.

21st Century fund is an after school academic enrichment program.

Sixteenth Section Interest Fund - This fund collects revenue from sixteenth section property and shared revenues from other school districts and pays for expenses for sixteenth section property.

QSCB Renovation Fund- This fund contains the funds received from a bond issue to be used to renovate the classrooms and other school buildings.

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

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

The District's fiduciary funds include the following:

Club funds - Represent amounts collected by student clubs to be used for club activities.

Accounts payable funds - Represent collections from each fund sufficient to pay the bills incurred by each fund.

Payroll funds - Represent collections from each fund sufficient to pay the payroll and related liabilities.

Additionally, the school district reports the following fund types:

SOUTH DELTA SCHOOL DISTRICT

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

GOVERNMENTAL FUND TYPES

Special Revenue Funds - Special Revenue Funds are used to account for 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 facilities and other capital assets.

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

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

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

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

SOUTH DELTA SCHOOL DISTRICT

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

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

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

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

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

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

SOUTH DELTA SCHOOL DISTRICT

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

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 funds type inventories are reported as expenditures when purchased.

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

5. Restricted Assets

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

6. Capital Assets.

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years

SOUTH DELTA SCHOOL DISTRICT

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

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 4 for details.

7. Compensated Absences.

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

The liability for these compensated absences is recorded as 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 compensated absence liability payable 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 5 for details.

9. Fund balances.

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

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

Non-spendable 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, of property held for resale unless the proceeds are restricted, committed, or assigned) and the activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

SOUTH DELTA SCHOOL DISTRICT

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. The formal action is the board policy or board order enabling the activity.

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 Board pursuant to authorization established by the superintendent and the business manager.

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

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

(2) Cash and Cash Equivalents.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$10,875,364 and \$23,381, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$10,875,364 and restricted assets \$-0-. The bank balance was \$11,418,810.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

SOUTH DELTA SCHOOL DISTRICT

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary	\$ 12,031
	Title 1A Basic	107,359
	21 st Century	87,644
	Other Governmental Funds	77,548
Other Governmental Funds	General Fund	150
	Other Governmental Funds	<u>33,295</u>
		<u>\$ 318,027</u>

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

B. Transfers In/Out

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Title 1A Basic	General Fund	\$ 25,341
21 st Century	General Fund	6,059
General Fund	General Fund	442,777
Other Governmental Funds	General Fund	19,651
General Fund	Other Governmental Funds	<u>580,659</u>
		<u>\$ 1,074,487</u>

Transfers were made to avoid borrowing from outside sources.

(4) Capital Assets.

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

<u>Capital Assets</u>	<u>Balance</u> <u>7-1-2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6-30-2011</u>
Land	\$ 57,128			57,128
Total non-depreciable	<u>57,128</u>	<u>0</u>	<u>0</u>	<u>57,128</u>
Buildings	1,577,439			1,577,439
Mobile equipment	1,721,211			1,721,211
Furniture and equipment	1,388,420	186,822	(18,341)	1,556,901
Total depreciable capital assets	<u>4,687,070</u>	<u>186,822</u>	<u>(18,341)</u>	<u>4,855,551</u>
Total	<u>4,744,198</u>	<u>186,822</u>	<u>(18,341)</u>	<u>4,912,679</u>

SOUTH DELTA SCHOOL DISTRICT

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

<u>Capital Assets</u>	<u>Balance 7-1-2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-2011</u>
<u>Accumulated Depreciation</u>				
Buildings	1,213,451	1,347		1,214,798
Mobile equipment	898,671	119,933		1,018,604
Furniture and equipment	1,203,204	138,050	(18,158)	1,323,096
Total accumulated depreciation	<u>3,315,326</u>	<u>259,330</u>	<u>(18,158)</u>	<u>3,556,498</u>
Total depreciable capital assets, net	<u>1,371,744</u>	<u>(72,508)</u>	<u>(183)</u>	<u>1,299,053</u>
Governmental activities capital assets, net	<u>\$ 1,428,872</u>	<u>(72,508)</u>	<u>(183)</u>	<u>1,356,181</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	<u>Amount</u>
Instruction	\$ 48,994
Support services	202,366
Non-instructional	<u>7,970</u>
Total depreciation expense	<u>\$ 259,330</u>

(5) Long-term liabilities.

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

	<u>Balance 7-1-2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-2011</u>	<u>Amounts due within one year</u>
Qualified school construction bonds payable \$		2,210,000		2,210,000	
Compensated absences payable	77,777		6,880	70,897	
Total	<u>\$ 77,777</u>	<u>2,210,000</u>	<u>6,880</u>	<u>2,280,897</u>	<u>0</u>

Qualified school construction bonds payable.

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Series 2011- QSCB Notes	5.25%	5/24/11	5/23/26	\$ 2,210,000	\$ 2,210,000

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.

SOUTH DELTA SCHOOL DISTRICT

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% 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 \$602,342, \$701,494, and \$719,631, respectively, which equaled the required contributions for each year.

(7) 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	\$ 699,732
2013	442,402
2014	431,162
2015	152,060
2016	114,035
2017 - 2021	171,720
2022 - 2026	161,955
2027 - 2031	149,457
2032 - 2036	51,430
Thereafter	16,245
Total	\$ 2,390,198

(8) Deficit Fund Balance of Individual Funds

The Debt Service Fund has a deficit fund balance in the amount of \$11,570.

SOUTH DELTA SCHOOL DISTRICT

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

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit was caused by an audit adjustment. Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

(9) Contingencies.

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

Litigation.

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

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

On September 30, 2005, some of the members were assessed an additional assessment of \$8,101 depending upon their years of membership in the MSBAWCT. The additional assessment has been paid, there is no balance at June 30, 2011.

(11) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school

SOUTH DELTA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2010

districts which share townships with South Delta School District, nor the South Delta School District itself, filed the list of children as required, no division of sixteenth section revenues has been accrued as the case may be.

Of the townships South Delta School District shares with other school districts, South Delta School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) South Delta School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, South Delta School District may be entitled to a portion of the sixteenth section revenues the other school district(s) received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

(12) Qualified School Construction Bonds

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

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

Year Ending June 30	Amount
2012	\$ 82,595
2013	151,957
2014	151,958
2015	151,958
2016	151,957
2017 - 2021	759,788
2022 - 2026	759,787
Total	\$ 2,210,000

(13) Subsequent Events.

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the

SOUTH DELTA SCHOOL DISTRICT

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

accompanying notes. Management of the South Delta School District evaluated the activity of the district through March 12, 2012, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

The school district has agreed to renovate various school buildings. The total cost is expected to be \$3,800,000. This project is to be paid with the bond funds of \$2,210,000 with the balance of the funding coming from the sixteenth section interest fund.

On February 23, 2012 the Mississippi Department of Education cleared the school district of the compliance finding reported on page 66 as Finding 2011-1.

SOUTH DELTA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH DELTA SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Local sources	\$ 1,858,845	1,822,396	1,829,273	(36,449)	6,877
State sources	3,697,547	3,699,822	4,095,835	2,275	396,013
Federal sources	220,000	220,000	196,133	0	(23,867)
Total Revenues	<u>5,776,392</u>	<u>5,742,218</u>	<u>6,121,241</u>	<u>(34,174)</u>	<u>379,023</u>
Expenditures:					
Instruction	3,155,031	2,797,904	2,664,977	357,127	132,927
Support services	3,719,347	3,783,329	2,823,585	(63,982)	959,744
Non-instructional services	100	793	793	(693)	0
Total Expenditures	<u>6,874,478</u>	<u>6,582,026</u>	<u>5,489,355</u>	<u>292,452</u>	<u>1,092,671</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,098,086)</u>	<u>(839,808)</u>	<u>631,886</u>	<u>258,278</u>	<u>1,471,694</u>
Other Financing Sources (Uses):					
Insurance loss recoveries			15,124	0	15,124
Sale of transportation equipment			9,275	0	9,275
Operating transfers in	1,405,439	1,305,957	493,828	(99,482)	(812,129)
Operating transfers out	(1,221,747)	(1,032,065)	(1,023,436)	189,682	8,629
Total Other Financing Sources (Uses)	<u>183,692</u>	<u>273,892</u>	<u>(505,209)</u>	<u>90,200</u>	<u>(779,101)</u>
Net Change in Fund Balances	<u>(914,394)</u>	<u>(565,916)</u>	<u>126,677</u>	<u>348,478</u>	<u>692,593</u>
Fund Balances:					
July 1, 2010	<u>1,650,088</u>	<u>1,650,088</u>	<u>1,650,088</u>	<u>0</u>	<u>0</u>
June 30, 2011	<u>\$ 735,694</u>	<u>1,084,172</u>	<u>1,776,765</u>	<u>348,478</u>	<u>692,593</u>

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

SOUTH DELTA SCHOOL DISTRICT
 Budgetary Comparison Schedule for the
 Title IA Basic
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Federal sources	\$ 1,105,933	1,884,198	1,438,340	778,265	(445,858)
Total Revenues	<u>1,105,933</u>	<u>1,884,198</u>	<u>1,438,340</u>	<u>778,265</u>	<u>(445,858)</u>
Expenditures:					
Instruction	715,530	1,096,886	907,644	(381,356)	189,242
Support services	307,310	673,822	437,319	(366,512)	236,503
Non-instructional services	57,134	76,303	68,036	(19,169)	8,267
Total Expenditures	<u>1,079,974</u>	<u>1,847,011</u>	<u>1,412,999</u>	<u>(767,037)</u>	<u>434,012</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25,959</u>	<u>37,187</u>	<u>25,341</u>	<u>11,228</u>	<u>(11,846)</u>
Other Financing Sources (Uses):					
Operating transfers out	(25,959)	(37,187)	(25,341)	(11,228)	11,846
Total Other Financing Sources (Uses)	<u>(25,959)</u>	<u>(37,187)</u>	<u>(25,341)</u>	<u>(11,228)</u>	<u>11,846</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2010				0	0
June 30, 2011	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

SOUTH DELTA SCHOOL DISTRICT
 Budgetary Comparison Schedule for the
 21st Century
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Federal sources	\$ 249,397	281,253	279,936	31,856	(1,317)
Total Revenues	<u>249,397</u>	<u>281,253</u>	<u>279,936</u>	<u>31,856</u>	<u>(1,317)</u>
Expenditures:					
Instruction	178,874	240,038	238,806	(61,164)	1,232
Support services	61,990	31,464	31,379	30,526	85
Non-instructional services	2,000	3,692	3,692	(1,692)	0
Total Expenditures	<u>242,864</u>	<u>275,194</u>	<u>273,877</u>	<u>(32,330)</u>	<u>1,317</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,533</u>	<u>6,059</u>	<u>6,059</u>	<u>(474)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(6,533)</u>	<u>(6,059)</u>	<u>(6,059)</u>	<u>474</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(6,533)</u>	<u>(6,059)</u>	<u>(6,059)</u>	<u>474</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2010				0	0
June 30, 2011	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Sixteen section sources	\$ 933,500	933,500	1,121,847	0	188,347
Total Revenues	933,500	933,500	1,121,847	0	188,347
Expenditures:					
Sixteenth section	53,000	53,000	22,971	0	30,029
Total Expenditures	53,000	53,000	22,971	0	30,029
Excess (Deficiency) of Revenues Over Expenditures	880,500	880,500	1,098,876	0	218,376
Other Financing Sources (Uses):					
Operating transfers out	(800,000)	(800,000)		0	800,000
Total Other Financing Sources (Uses)	(800,000)	(800,000)	0	0	800,000
Net Change in Fund Balances	80,500	80,500	1,098,876	0	1,018,376
Fund Balances:					
July 1, 2010	4,737,742	4,737,742	4,737,742	0	0
June 30, 2011	\$ 4,818,242	4,818,242	5,836,618	0	1,018,376

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

SOUTH DELTA SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Direct Federal Awards	Federal Pass-through Awards	American Recovery & Reinvestment Act	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>					
Passed-through Mississippi Department of Education:					
Child nutrition cluster:					
School breakfast program	10.553	\$	192,748		192,748
National school lunch program	10.555		493,172		493,172
Summer food service program for children	10.559		56,469		56,469
Total child nutrition cluster		0	742,389	0	742,389
Fresh fruit and vegetable program	10.582		38,222		38,222
Total U.S. Department of Agriculture		0	780,611	0	780,611
<u>U.S. Department of Defense</u>					
Direct program					
Reserve Officers' Training Corps	12.XXX	32,817			32,817
Total U. S. Department of Defense		32,817	0	0	32,817
<u>Federal Communications Commission</u>					
Administered through the Universal Service Administrative Company:					
The schools and libraries program of the universal service fund					
Total Federal Communications Commission	32.XXX	107,075	0	0	107,075
<u>U.S. Department of Education</u>					
Passed-through Mississippi Department of Education:					
Career and technical education - basic grants to states	84.048		29,191		29,191
Safe and drug-free schools and communities - state grants	84.186		16,781		16,781
Twenty-first century community learning centers	84.287		279,936		279,936
Reading first state grants	84.357		149,391		149,391
Rural education	84.358		32,533		32,533
Improving teacher quality state grants	84.367		191,482		191,482
School improvement grant	84.377		30,368		30,368
Educational Jobs Fund AARA	84.410			195,188	195,188
Subtotal:		0	729,682	195,188	924,870

Title I cluster.				
Title I grants to local educational agencies	84.010	1,469,677		1,469,677
ARRA Title I grants to local educational agencies Recovery Act	84.389		542,925	542,925
Total Title I Cluster		<u>1,469,677</u>	<u>542,925</u>	<u>2,012,602</u>
Special education cluster:				
Special education - grants to states	84.027	225,722		225,722
Special education - preschool grants	84.173	26,892		26,892
ARRA Special education - grants to states Recovery Act	84.391		180,279	180,279
ARRA Special education - preschool grants Recovery Act	84.392		9,592	9,592
Total special education cluster		<u>252,614</u>	<u>189,871</u>	<u>442,485</u>
State Fiscal Stabilization Fund cluster:				
ARRA State fiscal stabilization fund-education state grants, Recovery Act	84.394		261,387	261,387
Total state fiscal stabilization fund cluster		<u>0</u>	<u>261,387</u>	<u>261,387</u>
Homeless children and youth cluster:				
Education for homeless children and youth	84.196	68,191		68,191
ARRA Educational of homeless children and youth Recovery Act	84.387		22,857	22,857
Total homeless children and youth cluster		<u>68,191</u>	<u>22,857</u>	<u>91,048</u>
Education technology cluster:				
Education technology grants	84.318	11,005		11,005
ARRA Education technology state grants Recovery Act	84.386		268,428	268,428
Total education technology cluster		<u>11,005</u>	<u>268,428</u>	<u>279,433</u>
Total Department of Education		<u>2,531,169</u>	<u>1,480,656</u>	<u>4,011,825</u>
Total for All Federal Awards		<u>\$ 139,892</u>	<u>3,311,780</u>	<u>4,932,328</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The school district received \$74,956 from the National Forest that is included in the financial statements as federal funds, but is not considered a grant award.

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

Expenditures	Total	Instruction and Other		
		Student Instructional Expenditures	General Administrative	School Administrative
Salaries and fringe benefits	7,328,478	5,266,847	513,938	512,167
Other	4,093,460	2,442,422	243,841	20,476
Total	\$ 11,421,938	7,709,269	757,779	532,643
Total number of students*	1,092			
Cost per student	\$ 10,460	7,060	694	488

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

* Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

SOUTH DELTA SCHOOL DISTRICT

OTHER INFORMATION

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"Unaudited"

	"Unaudited"			
	2011	**2010	* 2009	* 2008
Revenues:				
Local sources	\$ 1,883,730	1,843,044	1,800,585	1,682,251
State sources	4,572,268	4,674,307	5,271,780	5,674,215
Federal sources	5,021,386	4,537,583	3,198,064	3,349,642
Sixteenth section sources	1,145,812	786,180	1,008,338	878,809
Total Revenues	<u>12,623,196</u>	<u>11,841,114</u>	<u>11,278,767</u>	<u>11,584,917</u>
Expenditures:				
Instruction	6,397,569	6,248,464	5,321,609	5,275,482
Support services	4,148,760	4,015,450	4,522,944	5,475,855
Noninstructional services	839,259	832,294	817,193	859,945
Sixteenth section	36,350	67,625	63,536	36,706
Total Expenditures	<u>11,421,938</u>	<u>11,163,833</u>	<u>10,725,282</u>	<u>11,647,988</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,201,258</u>	<u>677,281</u>	<u>553,485</u>	<u>(63,071)</u>
Other Financing Sources (Uses):				
Proceeds of loans	2,210,000			
Insurance loss recoveries	15,124		45,816	1,331
Sale of transportation equipment	9,275	900	8,559	2,110
Sale of other property			1,355	
Operating transfers in	1,074,487	1,465,353	1,775,826	667,641
Operating transfers out	(1,074,487)	(1,465,353)	(1,775,826)	(667,641)
Total Other Financing Sources (Uses)	<u>2,234,399</u>	<u>900</u>	<u>55,730</u>	<u>3,441</u>
Net Change in Fund Balances	3,435,657	678,181	609,215	(59,630)
Fund Balances:				
Beginning of Year	6,842,984	6,167,648	5,558,395	5,624,359
Increase (Decrease) in reserve for inventory	207	(2,845)	38	(6,334)
End of Year	<u>\$ 10,278,848</u>	<u>6,842,984</u>	<u>6,167,648</u>	<u>5,558,395</u>

* Source - Prior year audit reports

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

"Unaudited"

	"Unaudited"			
	2011	* 2010	* 2009	* 2008
Revenues:				
Local sources	\$ 1,829,273	1,781,520	1,737,894	1,646,695
State sources	4,095,835	4,353,189	4,899,286	5,303,970
Federal sources	196,133	210,820	486,642	632,833
Total Revenues	<u>6,121,241</u>	<u>6,345,529</u>	<u>7,123,822</u>	<u>7,583,498</u>
Expenditures:				
Instruction	2,664,977	3,106,190	3,640,066	3,424,640
Support services	2,823,585	2,862,160	3,357,697	4,409,203
Noninstructional services	793		24	942
Total Expenditures	<u>5,489,355</u>	<u>5,968,350</u>	<u>6,997,787</u>	<u>7,834,785</u>
Excess (Deficiency) of Revenues over Expenditures	<u>631,886</u>	<u>377,179</u>	<u>126,035</u>	<u>(251,287)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	15,124		45,816	1,331
Sale of transportation equipment	9,275	900	8,559	2,110
Sale of other property			1,355	
Operating transfers in	493,828	933,644	1,186,953	24,143
Operating transfers out	(1,023,436)	(531,709)	(588,614)	(643,498)
Total Other Financing Sources (Uses)	<u>(505,209)</u>	<u>402,835</u>	<u>654,069</u>	<u>(615,914)</u>
Net Change in Fund Balances	126,677	780,014	780,104	(867,201)
Fund Balances:				
Beginning of Year	<u>1,650,088</u>	<u>870,074</u>	<u>89,970</u>	<u>957,171</u>
End of Year	<u>\$ 1,776,765</u>	<u>1,650,088</u>	<u>870,074</u>	<u>89,970</u>

* Source - Prior year audit reports.

SOUTH DELTA SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

SOUTH DELTA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' 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
South Delta School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2011, which collectively comprise the South Delta School District's basic financial statements and have issued our report thereon dated March 12, 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 South Delta 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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.

March 12, 2012

Ellis + Heisberg CPA PLLC

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

Superintendent and School Board
South Delta School District

Compliance

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

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

In our opinion, South Delta 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 the major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-1.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the school board and management, 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.

Ellis Heurberg CPA PLLC

March 12, 2012

SOUTH DELTA SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

SOUTH DELTA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
South Delta School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2011, which collectively comprise South Delta School District's basic financial statements and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$8,024 of classroom supply funds carried over from previous years.

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

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

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

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

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

March 12, 2012

Ellis + Hirsberg CPA PLLC

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH DELTA SCHOOL DISTRICT

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

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditors' report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None reported |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Title I
CFDA # 84.010
CFDA # 84.389 | |
| b. | Special Education Cluster
CFDA # 84.027
CFDA # 84.173
CFDA # 84.391
CFDA # 84.392 | |
| c. | Education Jobs Fund
CFDA # 84.410 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings

Immaterial Noncompliance and Significant Internal Control Conditions:

2011-1 Finding:

<u>Name</u>	<u>CFDA #</u>	<u>Grantor/ Pass-through Grantor</u>
<u>Program:</u> Title I Grants to Local Educational Agencies	84.010 84.389	Department of Education/ Mississippi Department of Education

Criteria: The grant was subject to Section 1512 reporting which requires the District to report vendors full time equivalent employees (FTE) hired based on the school district's purchases.

Condition: The school district did not include the job FTEs for its contractual service providers for the March 2011 Section 1512 report.

Questioned Cost: None

Effect: The school district did not meet the reporting standard.

Cause: The school district believed it was following a Mississippi Department of Education directive that did not require reporting if there was no vendor hiring as a result of their purchase.

Recommendation: Management should better document their position when it is contrary to the general rule.

SOUTH DELTA SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

Katherine Tankson, Superintendent

P. O. Box 219

Rolling Fork, MS 39159

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315 of OMB Circular A-133, the South Delta 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 Detail</u>
2011-1	a. Pam C. Anthony
	b. On February 23, 2012 the Mississippi Department of Education cleared the School District of this finding.
	c. I will be more cognizant of these issues going forward.



Signature


Title

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

Katherine Tankson, Superintendent

P. O. Box 219

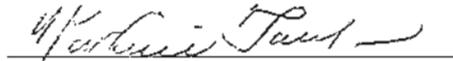
Rolling Fork, MS 39159

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

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

2010-1 Cleared

2010-2 Cleared



Signature



Title

SOUTH DELTA SCHOOL DISTRICT

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