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Starkville School District

Audited Financial Statements
For the Year Ended June 30, 2011

Fortenberry & Ballard, PC
Certified Public Accountants

**Starkville School District
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INDEPENDENT AUDITOR'S REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Starkville School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville School District as of and for the year ended June 30, 2011, which collectively comprise the Starkville School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Starkville 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. According, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2012, on our consideration of the Starkville School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 3, 2012

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$812,345, including a prior period adjustment of \$155,815, which represents a 5% increase from fiscal year 2010. Total net assets for 2010 increased \$148,757, including a prior period adjustment of (\$688,026), representing a 1% increase from fiscal year 2009.
- General revenues amounted to \$32,171,013 and \$31,944,891 or 73% and 73% 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 \$11,689,236, or 27% of total revenues for 2011, and \$12,005,120, or 27% of total revenues for 2010.
- The District had \$43,203,719 and \$43,113,228 in expenses for fiscal years 2011 and 2010; only \$11,689,236 for 2011 and \$12,005,120 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$32,171,013 for 2011 and \$31,944,891 for 2010 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$28,926,997 in revenues and \$28,450,269 in expenditures for 2011, and \$28,057,391 in revenues and \$28,042,617 in expenditures for 2010. The General Fund's fund balance increased by \$870,152 from 2010 to 2011, including a prior period adjustment of \$203,145 and decreased by \$233,312 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$806,757 for 2011 and increased by \$8,022,593 for 2010. The increase for 2011 was due primarily to the addition to construction in progress, mobile equipment, furniture and equipment and leased property under capital leases.
- Long-term debt decreased by \$1,878,756 for 2011 and increased by \$10,364,218 for 2010. This decrease was due primarily to principal payments on outstanding long term debt. The liability for compensated absences increased by \$110,203 in 2011, and decreased by \$4,435 in 2010.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near term financing requirements.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

Certain other outflows represent either increases or decreases in liabilities in the

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

government-wide financial statements, but are reported as expenditures in 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 Standard Board.

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$14,774,694 as of June 30, 2011.

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

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

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

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 11,459,643	12,621,095	(9)%
Restricted assets	7,406	6,455	15%
Capital assets, net	<u>35,073,391</u>	<u>34,266,634</u>	2%
Total assets	<u>46,540,440</u>	<u>46,894,184</u>	(1)%
Current liabilities	857,566	255,102	236%
Long-term debt outstanding	<u>30,908,180</u>	<u>32,676,733</u>	(5)%
Total liabilities	<u>31,765,746</u>	<u>32,931,835</u>	(4)%
Net assets:			
Invested in capital assets, net of related debt	4,580,001	1,921,807	138%
Restricted	7,218,873	9,863,087	(27)%
Unrestricted	<u>2,975,820</u>	<u>2,177,455</u>	37%
Total net assets	<u>\$ 14,774,694</u>	<u>13,962,349</u>	6%

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

- Increase in net capital assets in the amount of \$806,757.
- The principal retirement of \$1,878,756 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$43,860,249 and \$43,950,011, respectively. The total cost of all programs and services was \$43,203,719 for 2011 and \$43,113,228 for 2010.

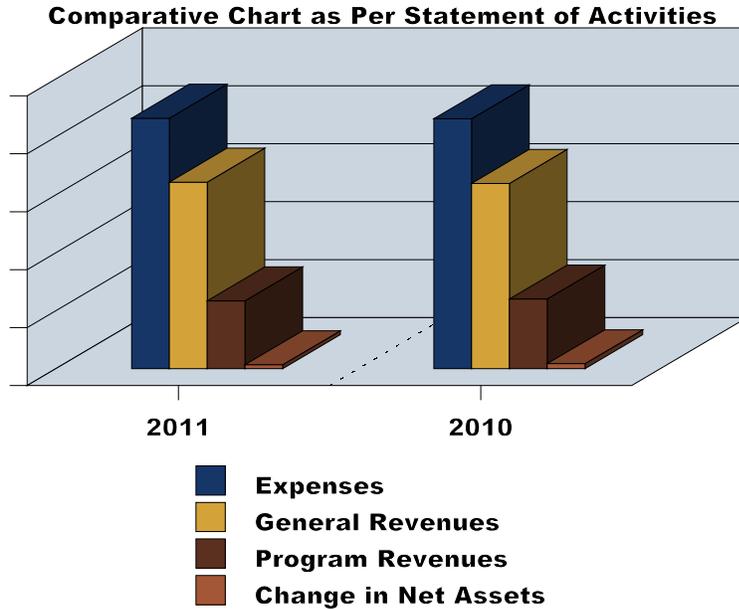
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

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

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,345,509	2,178,622	8%
Operating grants and contributions	9,217,512	9,711,792	(5)%
Capital grants and contributions	126,215	114,706	10%
Total program revenues	<u>11,689,236</u>	<u>12,005,120</u>	(3)%
General revenues:			
Property taxes and gaming	14,592,456	13,665,317	7%
Grants and contributions not restricted	17,296,727	17,797,793	(3)%
Unrestricted investment earnings	88,888	163,314	(46)%
Sixteenth section sources	9,605	112,580	(91)%
Other	183,337	205,887	(11)%
Total general revenues	<u>32,171,013</u>	<u>31,944,891</u>	1%
Total revenues	<u>43,860,249</u>	<u>43,950,011</u>	0%
Expenses:			
Instruction	23,405,690	24,291,396	(4)%
Support services	14,433,392	13,255,890	9%
Non-instructional	4,063,716	4,742,564	(14)%
Sixteenth section	3,190	21,115	(85)%
Interest on long-term debt	1,297,731	802,263	62%
Total expenses	<u>43,203,719</u>	<u>43,113,228</u>	0%
Increase (Decrease) in net assets	<u>656,530</u>	<u>836,783</u>	(22)%
Net Assets, July 1, as originally reported	13,962,349	13,813,592	1%
Prior Period Adjustment	<u>155,815</u>	<u>(688,026)</u>	123%
Net Assets, July 1, as restated	<u>14,118,164</u>	<u>13,125,566</u>	8%
Net Assets, June 30	<u>\$ 14,774,694</u>	<u>13,962,349</u>	6%

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



Governmental activities

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

Table 3
Net Cost of Governmental Activities

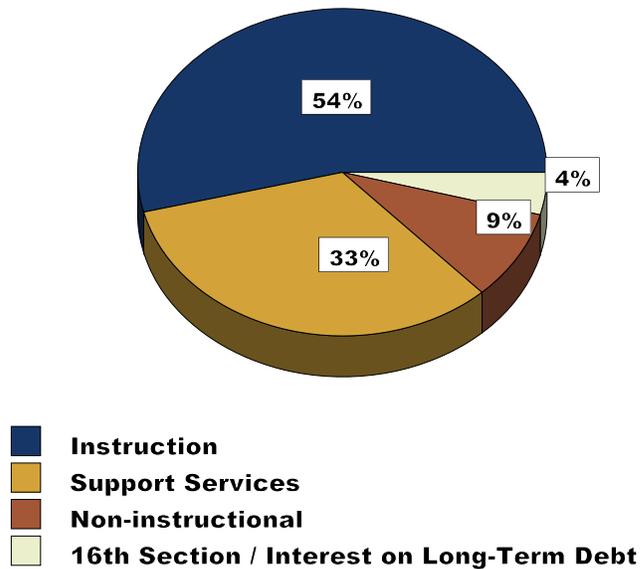
	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 23,405,690	24,291,396	(4)%
Support services	14,433,392	13,255,890	9%
Non-instructional	4,063,716	4,742,564	(14)%
Sixteenth section	3,190	21,115	(85)%
Interest on long-term liabilities	1,297,731	802,263	62%
Total expenses	\$ 43,203,719	43,113,228	0%

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

Net (Expense) Revenue

	2011	2010	Percentage Change
Instruction	\$ (17,730,403)	(18,989,068)	(7)%
Support services	(11,893,655)	(10,683,796)	11%
Non-instructional	(589,504)	(628,872)	(6)%
Sixteenth section	(3,190)	(4,109)	(22)%
Interest on long-term liabilities	(1,297,731)	(802,263)	62%
Total net (expense) revenue	\$ (31,514,483)	(31,108,108)	1%

Chart of Expenses as Per Statement of Activities



- Net cost of governmental activities (\$31,514,483 for 2011 and \$31,108,108 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$14,592,456 for 2011 and \$13,665,317 for 2010) and state and federal revenues (\$17,296,727 for 2011 and \$17,797,793 for 2010). In addition, there was \$9,605 and \$112,580 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$88,888 for 2011 and \$163,314 for 2010.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$10,921,081, a decrease of \$1,669,528, which includes a prior period adjustment of \$184,074 and a decrease in reserve for inventory of \$18,313. \$3,053,724, or 28% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$7,867,357 or 72% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$870,152. The fund balance of Other Governmental Funds showed a decrease in the amount of \$546,691, which includes a decrease in reserve for inventory of \$18,313, due primarily to reflect inventory to actual and a prior period adjustment of (\$19,071). The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
GOB 2007 Building Fund	\$ (1,992,989)

BUDGETARY HIGHLIGHTS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$49,121,502, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,989,934 from 2010. Total accumulated depreciation as of June 30, 2011, was \$14,048,111, and total depreciation expense for the year was \$1,191,442, resulting in total net capital assets of \$35,073,391.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 187,470	194,970	(4)%
Construction in progress	0	8,028,208	(100)%
Buildings	31,045,752	23,479,862	32%
Building Improvements	1,319,488	142,582	825%
Improvements other than buildings	1,351,702	1,442,013	(6)%
Mobile equipment	852,970	806,785	6%
Furniture and equipment	216,873	169,471	28%
Leased property under capital leases	99,136	2,743	3514%
Total	<u>\$ 35,073,391</u>	<u>34,266,634</u>	2%

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

Debt Administration. At June 30, 2011, the District had \$30,908,180 in outstanding long-term debt, of which \$1,858,770 is due within one year. The liability for compensated absences increased \$110,203 from the prior year.

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

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 26,055,000	27,695,000	(6)%
Limited obligation bonds payable	1,215,000	1,375,000	(12)%
Three mill notes payable	90,000	118,000	(24)%
Obligations under capital leases	133,390	156,827	(15)%
Obligations under energy efficiency leases		27,319	(100)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	414,790	304,587	36%
Total	<u>\$ 30,908,180</u>	<u>32,676,733</u>	(5)%

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

CURRENT ISSUES

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

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

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

Enrollment for the 2010-2011 school year decreased by 5% to 3,776 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Starkville School District, 401 Greensboro Street, Starkville, MS 39759.

FINANCIAL STATEMENTS

STARKVILLE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets	
<i>Cash and cash equivalents</i>	\$ 9,148,555
<i>Due from other governments</i>	2,258,568
<i>Accrued interest receivable</i>	124
<i>Inventories</i>	52,396
<i>Restricted assets</i>	7,406
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	187,470
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	31,045,752
<i>Building improvements</i>	1,319,488
<i>Improvements other than buildings</i>	1,351,702
<i>Mobile equipment</i>	852,970
<i>Furniture and equipment</i>	216,873
<i>Leased property under capital leases</i>	99,136
Total Assets	<u>46,540,440</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	542,042
<i>Interest payable on long-term liabilities</i>	311,598
<i>Other payables</i>	3,926
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	1,858,770
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	28,634,620
<i>Non-capital related liabilities</i>	414,790
Total Liabilities	<u>31,765,746</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,580,001
Restricted For:	
School-based activities	3,007,481
Debt service	1,220,828
Capital improvements	2,894,956
Forestry improvements	89,512
Unemployment benefits	4,472
Sixteenth section	
Nonexpendable	1,624
Unrestricted	2,975,820
Total Net Assets	<u>\$ 14,774,694</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:				Governmental Activities	
<i>Instruction</i>	23,405,690	1,810,098	3,738,974	126,215	(17,730,403)
<i>Support services</i>	14,433,392	--	2,539,737	--	(11,893,655)
<i>Noninstructional services</i>	4,063,716	535,411	2,938,801	--	(589,504)
<i>Sixteenth section</i>	3,190	--	--	--	(3,190)
<i>Interest on long-term liabilities</i>	1,297,731	--	--	--	(1,297,731)
Total Governmental Activities	<u>\$ 43,203,719</u>	<u>\$ 2,345,509</u>	<u>\$ 9,217,512</u>	<u>\$ 126,215</u>	<u>(31,514,483)</u>
General Revenues:					
Taxes:					
					11,866,585
					2,725,871
Unrestricted grants and contributions:					
					16,030,748
					1,265,979
					88,888
					9,605
					183,337
Total General Revenues					<u>32,171,013</u>
Change in Net Assets					<u>656,530</u>
Net Assets - Beginning, as originally reported					13,962,349
Prior Period Adjustment					<u>155,815</u>
Net Assets - Beginning, as restated					14,118,164
Net Assets - Ending					<u>\$ 14,774,694</u>

The accompanying notes are an integral part of this statement.

STARKVILLE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	GOB 2007 Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
<i>Cash and cash equivalents</i>	\$ 3,287,829	\$ 2,903,402	\$ 2,958,864	\$ 9,150,095
<i>Cash with fiscal agents</i>	--	--	5,866	5,866
<i>Due from other governments</i>	401,994	--	1,847,673	2,249,667
<i>Accrued interest receivable</i>	--	--	124	124
<i>Due from other funds</i>	8,901	--	--	8,901
<i>Inventories</i>	--	--	52,396	52,396
Total Assets	\$ 3,698,724	\$ 2,903,402	\$ 4,864,923	\$ 11,467,049
Liabilities and Fund Balances				
Liabilities				
<i>Accounts payable and accrued liabilities</i>	\$ 316,655	\$ 8,491	\$ 216,896	\$ 542,042
<i>Other payables</i>	2,556	--	1,370	3,926
Total Liabilities	319,211	8,491	218,266	545,968
Fund Balances:				
Nonspendable:				
Permanent fund principal	--	--	1,624	1,624
Inventory	--	--	52,396	52,396
Restricted:				
Unemployment benefits	--	--	4,472	4,472
Forestry improvement purposes	--	--	89,512	89,512
Capital projects	--	2,894,911	45	2,894,956
Debt service	--	--	1,532,426	1,532,426
Grant activities	--	--	1,549,609	1,549,609
Food service	--	--	926,198	926,198
Sixteenth section	--	--	490,375	490,375
Assigned:				
General activity	308,495	--	--	308,495
Athletic	11,499	--	--	11,499
Other purposes	5,795	--	--	5,795
Unassigned	3,053,724	--	--	3,053,724
Total Fund Balances	3,379,513	2,894,911	4,646,657	10,921,081
Total Liabilities and Fund Balances	\$ 3,698,724	\$ 2,903,402	\$ 4,864,923	\$ 11,467,049

The accompanying notes are an integral part of this statement.

STARKVILLE SCHOOL DISTRICT

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

Total fund balances for governmental funds	\$ 10,921,081
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	35,073,391
Liabilities due in one year are not reported in the funds.	(1,858,770)
Payables for bond principal which are not due in the current period are not reported in the funds.	(28,465,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(108,934)
Payables for bond interest which are not due in the current period are not reported in the funds.	(311,598)
Payables for notes which are not due in the current period are not reported in the funds.	(60,686)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(414,790)</u>
Net assets of governmental activities	<u>\$ 14,774,694</u>

The accompanying notes are an integral part of this statement.

STARKVILLE SCHOOL DISTRICT

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

	General Fund	GOB 2007 Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 12,393,836	\$ 31,745	\$ 4,710,643	\$ 17,136,224
Intermediate sources	70,001	--	62,015	132,016
State sources	16,072,900	--	1,734,956	17,807,856
Federal sources	390,260	--	8,362,720	8,752,980
Sixteenth section sources	--	--	9,605	9,605
Total Revenues	<u>28,926,997</u>	<u>31,745</u>	<u>14,879,939</u>	<u>43,838,681</u>
Expenditures:				
Instruction	16,982,791	--	5,333,720	22,316,511
Support services	11,363,991	--	2,960,610	14,324,601
Noninstructional services	204	225,941	3,700,113	3,926,258
Sixteenth section	--	--	3,190	3,190
Facilities acquisition and construction	--	1,798,793	377,514	2,176,307
Debt service:				
Principal	99,438	--	1,779,318	1,878,756
Interest	3,771	--	1,186,121	1,189,892
Other	74	--	14,328	14,402
Total Expenditures	<u>28,450,269</u>	<u>2,024,734</u>	<u>15,354,914</u>	<u>45,829,917</u>
Excess (Deficiency) of Revenues Over (Under) Expenditure	<u>476,728</u>	<u>(1,992,989)</u>	<u>(474,975)</u>	<u>(1,991,236)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	134,379	--	--	134,379
Transfers in	171,601	--	559,322	730,923
Other financing sources	--	--	21,568	21,568
Transfers out	(115,701)	--	(615,222)	(730,923)
Total Other Financing Sources (Uses)	<u>190,279</u>	<u>--</u>	<u>(34,332)</u>	<u>155,947</u>
Net Change in Fund Balances	<u>667,007</u>	<u>(1,992,989)</u>	<u>(509,307)</u>	<u>(1,835,289)</u>
Fund Balances:				
July 1, 2010, as originally reported	2,509,361	4,887,900	5,193,348	12,590,609
Prior period adjustments	203,145	--	(19,071)	184,074
July 1, 2010, as restated	<u>2,712,506</u>	<u>4,887,900</u>	<u>5,174,277</u>	<u>12,774,683</u>
Increase (decrease) in reserve for inventory	--	--	(18,313)	(18,313)
June 30, 2011	<u>\$ 3,379,513</u>	<u>\$ 2,894,911</u>	<u>\$ 4,646,657</u>	<u>\$ 10,921,081</u>

The accompanying notes are an integral part of this statement.

STARKVILLE SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ (1,835,289)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,056,638
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,191,442)
The gain or loss on the sale of capital assets is not reported in the funds.	(30,180)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,800,000
Repayment of principal for leases is an expenditure in the funds but is not an expense in the SOA.	50,756
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	28,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(93,437)
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	(18,313)
Compensated absences reported as amount earned in SOA but as amount paid in the funds.	<u>(110,203)</u>
Change in net assets of governmental activities	<u>\$ 656,530</u>

The accompanying notes are an integral part of this statement.

STARKVILLE SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Agency Funds
Assets:	
<i>Cash and other deposits</i>	\$ 1,662,167
Total Assets	<u>\$ 1,662,167</u>
Liabilities:	
<i>Accounts Payable & Accrued Liabilities</i>	\$ 1,426,830
<i>Due to student clubs</i>	45,307
<i>Due to other funds</i>	8,901
<i>Other payables</i>	181,129
Total Liabilities	<u>\$ 1,662,167</u>

The accompanying notes are an integral part of this statement.

Starkville School District

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

Starkville School District

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

Note 1 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand alone government." The school district is a related organization of, but not a component unit of, the city of Starkville, Mississippi since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Starkville 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.

Starkville School District

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

The school district reports the following major governmental funds:

Starkville School District

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

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.

GOB 2007 Building Fund - This is the school district's fund for accounting for the general obligation bond funds which are being used for capital improvements.

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

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

The district's fiduciary funds include the following:

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

Accounts Payable Clearing Fund - This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

Starkville School District

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

Starkville School District

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

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

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

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

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

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

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

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

Starkville School District

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

obligations of the types described in Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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.

Starkville School District

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

Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

Starkville School District

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

7. Compensated Absences

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

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

8. Long-term Liabilities and Deferred Debt Expense

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

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

9. Fund Balances

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

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

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

Starkville School District

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

that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

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

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

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

Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents

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

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

Starkville School District

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

collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,150,095 and \$1,662,167, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, some of the district's bank balance of \$12,760,690 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institution was \$5,866. This amount is shown as restricted assets on Exhibit A.

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary Funds	\$ 8,901
Total		\$ 8,901

Starkville School District

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

B. Interfund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 171,601
Other Governmental Funds	Other Governmental Funds	443,621
	General Fund	115,701
Total		\$ 730,923

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$1,500, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$5,866, of the MAEP Retirement Fund and the cash balance of the QSCB 2009 Bond Fund in the amount of \$40.

Note 5 - Capital Assets

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

	Balance 7-1-2010	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2011
<u>Non-depreciable capital assets:</u>						
Land	\$ 194,970				(7,500)	187,470
Construction in progress	8,028,208	1,799,856		(9,828,064)		0
Total non-depreciable capital assets	8,223,178	1,799,856	0	(9,828,064)	(7,500)	187,470
<u>Depreciable capital assets:</u>						
Buildings	32,351,193			8,596,853		40,948,046
Building improvements	409,274			1,231,211		1,640,485
Improvements other than buildings	2,257,768					2,257,768
Mobile equipment	2,699,144	13,489	12,074		98,910	2,799,469
Furniture and equipment	1,134,042	115,323	88,526		(5,667)	1,155,172
Leased property under capital leases	56,969	127,970	51,847			133,092
Total depreciable capital assets	38,908,390	256,782	152,447	9,828,064	93,243	48,934,032
<u>Less accumulated depreciation for:</u>						
Buildings	8,871,331	774,273			256,690	9,902,294
Building improvements	266,692	54,305				320,997
Improvements other than buildings	815,755	90,311				906,066
Mobile equipment	1,892,359	149,678	6,520		(89,018)	1,946,499
Furniture and equipment	964,571	97,553	70,155		(53,670)	938,299
Leased property under capital leases	54,226	25,322	45,592			33,956
Total accumulated depreciation	12,864,934	1,191,442	122,267	0	114,002	14,048,111
Total depreciable capital assets, net	26,043,456	(934,660)	30,180	9,828,064	(20,759)	34,885,921
Governmental activities capital assets, net	\$ 34,266,634	865,196	30,180	0	(28,259)	35,073,391

Starkville School District

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

Adjustments were made to correctly present capital assets at year end.

Depreciation expense was charged to the following governmental functions:

		<u>Amount</u>
Instructional	\$	834,009
Support services		238,288
Non-instructional		119,145
Total depreciation expense	\$	<u><u>1,191,442</u></u>

Note 6 - Long-Term Liabilities

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

	Balance 7-1-2010	Additions	Reductions	Balance 6-30-2011	Amounts due within one year
A. General obligation bonds payable	\$ 27,695,000		1,640,000	26,055,000	1,640,000
B. Limited obligation bonds payable	1,375,000		160,000	1,215,000	165,000
C. Three mills note payable	118,000		28,000	90,000	29,314
D. Obligations under capital leases	156,827		23,437	133,390	24,456
E. Obligations under energy efficiency leases	27,319		27,319	0	
F. Qualified school construction bonds payable	3,000,000			3,000,000	
G. Compensated absences payable	304,587	110,203		414,790	
Total	\$ <u>32,676,733</u>	<u>110,203</u>	<u>1,878,756</u>	<u>30,908,180</u>	<u>1,858,770</u>

A. General obligations bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are 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>
GOB, Series 2003	2.89%	06-25-03	12-01-15	\$ 7,470,000	3,955,000
GOB, Series 2007	3.60%	12-21-07	03-01-20	5,000,000	4,500,000
GOB, Series 2008	5.00%	10-15-08	09-01-23	9,925,000	9,375,000
GOB, Series 2009	3.75%	10-22-09	09-01-24	8,575,000	8,225,000
Total				\$ <u><u>30,970,000</u></u>	<u><u>26,055,000</u></u>

Starkville School District

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

1. Series 2003:

Year Ending June 30		Principal	Interest	Total
2012	\$	705,000	113,210	818,210
2013		765,000	91,160	856,160
2014		755,000	67,983	822,983
2015		810,000	43,320	853,320
2016		920,000	15,180	935,180
Total	\$	<u>3,955,000</u>	<u>330,853</u>	<u>4,285,853</u>

This debt will be retired from the Bond Issue Debt Service Fund (#4031).

2. Series 2007:

Year Ending June 30		Principal	Interest	Total
2012	\$	300,000	162,000	462,000
2013		350,000	151,200	501,200
2014		300,000	138,600	438,600
2015		350,000	127,800	477,800
2016		500,000	115,200	615,200
2017 - 2020		2,700,000	258,300	2,958,300
Total	\$	<u>4,500,000</u>	<u>953,100</u>	<u>5,453,100</u>

This debt will be retired from the Bond Issue Debt Service Fund (#4037).

3. Series 2008:

Year Ending June 30		Principal	Interest	Total
2012	\$	400,000	373,156	773,156
2013		450,000	351,906	801,906
2014		500,000	328,156	828,156
2015		600,000	300,656	900,656
2016		675,000	268,781	943,781
2017 - 2021		3,275,000	906,672	4,181,672
2022 - 2024		3,475,000	185,063	3,660,063
Total	\$	<u>9,375,000</u>	<u>2,714,390</u>	<u>12,089,390</u>

This debt will be retired from the Bond Issue Debt Service Fund (#4037).

Starkville School District

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

4. Series 2009:

Year Ending June 30		Principal	Interest	Total
2012	\$	235,000	274,847	509,847
2013		250,000	266,212	516,212
2014		275,000	257,025	532,025
2015		325,000	246,525	571,525
2016		350,000	234,713	584,713
2017 - 2021		2,175,000	984,297	3,159,297
2022 - 2025		4,615,000	345,103	4,960,103
Total	\$	<u>8,225,000</u>	<u>2,608,722</u>	<u>10,833,722</u>

This debt will be retired from the Debt Service Fund.

Total general obligations bonds payable for all issues:

Year Ending June 30		Principal	Interest	Total
2012	\$	1,640,000	923,213	2,563,213
2013		1,815,000	860,478	2,675,478
2014		1,830,000	791,764	2,621,764
2015		2,085,000	718,301	2,803,301
2016		2,445,000	633,874	3,078,874
2017 - 2021		8,150,000	2,149,269	10,299,269
2022 - 2025		8,090,000	530,166	8,620,166
Total	\$	<u>26,055,000</u>	<u>6,607,065</u>	<u>32,662,065</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 10% of property assessments as of October 1, 2010.

B. Limited obligations bonds payable

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

Starkville School District

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2009	4.8%	10-22-09	02-01-18	\$ <u>1,460,000</u>	<u>1,215,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 165,000	30,000	195,000
2013	165,000	26,700	191,700
2014	170,000	23,400	193,400
2015	175,000	19,788	194,788
2016	175,000	15,587	190,587
2017 - 2018	<u>365,000</u>	<u>16,500</u>	<u>381,500</u>
Total	\$ <u>1,215,000</u>	<u>131,975</u>	<u>1,346,975</u>

This debt will be retired from the Bond Issue Retirement Fund (#4037).

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note - 2003	3.49%	07-15-03	07-15-13	\$ <u>270,000</u>	<u>90,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 29,314	2,668	31,982
2013	30,356	1,627	31,983
2014	<u>30,330</u>	<u>549</u>	<u>30,879</u>
Total	\$ <u>90,000</u>	<u>4,844</u>	<u>94,844</u>

Starkville School District

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

This debt will retired from the Note Debt Service Fund.

D. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of equipment at a cost of \$243,583.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Equipment Lease - 2006	4.28%	09-01-06	06-01-16	\$ 243,583	133,390

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 24,456	5,320	29,776
2013	25,520	4,256	29,776
2014	26,630	3,146	29,776
2015	27,788	1,988	29,776
2016	28,996	780	29,776
Total	\$ 133,390	15,490	148,880

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

This debt will be retired from the District Maintenance Fund.

E. Obligations Under Energy Efficiency Lease

This debt was paid off during the year and retired from the District Maintenance Fund.

F. Qualified school construction bonds payable

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

Starkville School District

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified school construction bond	0.00%	10-08-09	09-15-24	\$ <u>3,000,000</u>	<u>3,000,000</u>

F. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of 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 \$2,665,502, \$2,804,235, and \$2,722,365, respectively, which equaled the required contributions for each year.

Note 8 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and 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 users 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.

Starkville School District

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

These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2012	\$ 9,116
2013	9,116
2014	9,116
2015	6,564
2016	1,450
2017-2021	7,250
2022-2026	7,250
2027-2031	4,350
Total	\$ <u>54,212</u>

Note 9 - Risk Management

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

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

Starkville School District

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

Note 10 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 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 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. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2011 was \$40. 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	\$ 214,285
2013	214,285
2014	214,285
2015	214,285
2016	214,285
2017 - 2021	1,071,430
2022 - 2025	857,145
Total	\$ <u>3,000,000</u>

Note 11 - Prior Period Adjustment

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 See explanation below	\$ 203,145
2 See explanation below	(19,071)
3 To correctly present capital assets at year end	(28,259)
Total	\$ <u>155,815</u>

Starkville School District

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

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

<u>Major Funds</u>	<u>Explanation(s)</u>		<u>Amount</u>
General Fund	To adjust revenues to actual	\$	203,145
Other Governmental Funds	To adjust revenues to actual		(19,071)
		Total \$	<u>184,074</u>

Note 12 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated September 2, 1993 creating the Quad County Alternate School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Starkville School District and Oktibbeha School District.

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

The Starkville School District has been designated as the lead school district for the Quad County Alternate School, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Quad County Alternative School.

Starkville School District

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

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

Revenues

Local sources:

Tuition from other LEA's within the state:

Oktibbeha County School District	\$	116,254
Starkville School District		308,400
Total tuition from other LEA's within the state		<u>424,654</u>
Interest		<u>520</u>
Donations		<u>1,000</u>
Total Revenues		<u>426,174</u>

Expenditures

Salaries		615,008
Employee benefits		180,098
Purchased professional and technical services		300
Purchased property services		690
Supplies		7,281
Property		5,070
Other		<u>354</u>
Total Expenditures		<u>808,801</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>(382,627)</u>

Other Financing Sources:

Transfers in		<u>386,355</u>
Total Other Financing Sources/Uses		<u>386,355</u>

Net Change in Fund Balance 3,728

Fund Balance:

July 1, 2010		<u>0</u>
June 30, 2011	\$	<u><u>3,728</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

Starkville School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2011

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 11,911,229	12,230,788	12,393,836	319,559	163,048
Intermediate sources	42,000	70,001	70,001	28,001	0
State sources	16,665,988	16,137,983	16,072,900	(528,005)	(65,083)
Federal sources	207,500	325,177	390,260	117,677	65,083
Total Revenues	<u>28,826,717</u>	<u>28,763,949</u>	<u>28,926,997</u>	<u>(62,768)</u>	<u>163,048</u>
Expenditures:					
Instruction	16,679,809	16,806,301	16,982,791	(126,492)	(176,490)
Support services	10,529,711	11,331,408	11,363,991	(801,697)	(32,583)
Noninstructional services	5,000	204	204	4,796	0
Facilities acquisition and construction	0	117,642		(117,642)	117,642
Debt service:				0	
Principal	110,000	1,949,438	99,438	(1,839,438)	1,850,000
Interest	12,500	20,706	3,771	(8,206)	16,935
Other	100	74	74	26	0
Total Expenditures	<u>27,337,121</u>	<u>30,225,773</u>	<u>28,450,269</u>	<u>(2,888,652)</u>	<u>1,775,504</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,489,596</u>	<u>(1,461,824)</u>	<u>476,728</u>	<u>(2,951,420)</u>	<u>1,938,552</u>
Other Financing Sources (Uses):					
Proceeds of loans	0	1,838,993		1,838,993	(1,838,993)
Insurance loss recoveries	0	134,379	134,379	134,379	0
Indirect costs	50,000	54,493		4,493	(54,493)
Other transfers in	413,433	1,355,398	171,601	941,965	(1,183,797)
Miscellaneous other financing sources	0	6,564		6,564	(6,564)
Other transfers out	(1,098,158)	(1,353,993)	(115,701)	(255,835)	1,238,292
Miscellaneous other financing use	0	(15,288)		(15,288)	15,288
Total Other Financing Sources (Uses)	<u>(634,725)</u>	<u>2,020,546</u>	<u>190,279</u>	<u>2,655,271</u>	<u>(1,830,267)</u>
Net Change in Fund Balances	<u>854,871</u>	<u>558,722</u>	<u>667,007</u>	<u>(296,149)</u>	<u>108,285</u>
Fund Balances:					
July 1, 2010, as originally reported	1,310,480	2,716,753	2,509,361	1,406,273	(207,392)
Prior period adjustments	904,776	128,433	203,145	(776,343)	74,712
July 1, 2010, as restated	<u>2,215,256</u>	<u>2,845,186</u>	<u>2,712,506</u>	<u>629,930</u>	<u>(132,680)</u>
June 30, 2011	<u>\$ 3,070,127</u>	<u>3,403,908</u>	<u>3,379,513</u>	<u>333,781</u>	<u>(24,395)</u>

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Starkville School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 451,097
National School Lunch Program	10.555	1,382,982
Summer Food Program	10.559	90,320
Total Child Nutrition cluster		<u>1,924,399</u>
Total Passed-through the Mississippi Department of Education		<u>1,924,399</u>
Total U.S. Department of Agriculture		<u>1,924,399</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	96,461
Total U.S. Department of Defense		<u>96,461</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	4,883
Total Federal Communications Commission		<u>4,883</u>
<u>U.S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,371,026
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	130,581
Total Title I Cluster		<u>1,501,607</u>
Education Technology Cluster:		
Education Technology State Grants	84.318	9,528
ARRA - Education Technology State Grants, Recovery Act	84.386	6,313
Total Education Technology Cluster		<u>15,841</u>
Homeless Cluster:		
Education for Homeless Children and Youth	84.196	46,160
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	4,613
		<u>50,773</u>
Career and Technical Education - Basic Grants to States	84.048	61,268
Safe and Drug-Free Schools and Communities - National Grants	84.184A	252,568
A.I.M. Fund	84.184B	25,847
Safe Schools/Healthy Strudents Grants	84.184L	698,494
Safe and Drug-Free Schools and Communities - State Grants	84.186	2,271
Family Network	84.186B	7,444
Even Start - State Educational Agencies	84.213	119,687
Promotion of School Readiness Thru Early Childhood Emotional and Social Development	84.215H	117,095
Twenty-First Century Community Learning Centers	84.287	232,029
Special Education - State Personnel Development	84.323	35,500
Rural Education	84.358	64,499
Improving Teacher Quality State Grants	84.367	267,258
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	1,007,680
Subtotal		<u>2,891,640</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	987,064
Special Education - Preschool Grants	84.173	24,214
ARRA - Special Education Grants to States, Recovery Act	84.391	723,102
ARRA - Special Education Preschool Grants, Recovery Act	84.392	25,965
Total Special Education Cluster		<u>1,760,345</u>
Total passed-through the Mississippi Department of Education		<u>6,220,206</u>
Total U.S. Department of Education		<u>6,220,206</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through the Mississippi Department of Education:		
Medical Assistance Program	93.778	65,084
Total passed-through the Mississippi Department of Education		<u>65,084</u>
Total U.S. Department of Health and Human Services		<u>65,084</u>
<u>Corporation for National and Community Service</u>		
Passed through the Mississippi Department of Education:		
Learn and Serve America - School and Community Based Programs	94.004	26,401
Total passed-through the Mississippi Department of Education		<u>26,401</u>
Total Corporation for National and Community Service		<u>26,401</u>
Total for All Federal Awards		<u>\$ 8,337,434</u>

Notes to Schedule

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 30,667,980	22,989,386	993,956	1,981,791	4,702,847
Other	15,161,937	3,999,463	435,285	50,146	10,677,043
Total	<u>\$ 45,829,917</u>	<u>26,988,849</u>	<u>1,429,241</u>	<u>2,031,937</u>	<u>15,379,890</u>
Total number of students *	3,776				
Cost per student	\$ 12,137	7,147	379	538	4,073

NOTES TO SCHEDULE

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

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

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

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

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

OTHER INFORMATION

STARKVILLE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 12,393,836	11,388,220	11,435,596	11,071,782
Intermediate sources	70,001	16,281	19,399	13,539
State sources	16,072,900	16,355,919	17,748,296	17,865,996
Federal sources	390,260	296,971	267,110	305,996
Total Revenues	<u>28,926,997</u>	<u>28,057,391</u>	<u>29,470,401</u>	<u>29,257,313</u>
Expenditures:				
Instruction	16,982,791	17,457,938	18,684,085	18,065,261
Support services	11,363,991	10,283,302	10,518,044	10,107,363
Noninstructional services	204	280	959	331,205
Facilities acquisition and construction		139,220		
Debt service:				
Principal	99,438	93,782	100,683	86,423
Interest	3,771	63,522	29,489	28,693
Other	74	4,573		
Total Expenditures	<u>28,450,269</u>	<u>28,042,617</u>	<u>29,333,260</u>	<u>28,618,945</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>476,728</u>	<u>14,774</u>	<u>137,141</u>	<u>638,368</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	134,379		41,910	
Sale of transportation equipment		4,588		
Sale of other property			3,581	
Operating transfers in	171,601		108,473	747,053
Other financing sources			2,346	
Operating transfers out	(115,701)	(245,174)	(527,833)	(953,426)
Other financing uses		(7,500)	(216,729)	
Total Other Financing Sources (Uses)	<u>190,279</u>	<u>(248,086)</u>	<u>(588,252)</u>	<u>(206,373)</u>
Net Change in Fund Balances	<u>667,007</u>	<u>(233,312)</u>	<u>(451,111)</u>	<u>431,995</u>
Fund Balances:				
July 1, as originally reported	2,509,361	2,742,673	3,157,891	2,761,892
Prior period adjustments	203,145		35,893	(35,996)
July 1, as restated	<u>2,712,506</u>	<u>2,742,673</u>	<u>3,193,784</u>	<u>2,725,896</u>
June 30,	<u>\$ 3,379,513</u>	<u>2,509,361</u>	<u>2,742,673</u>	<u>3,157,891</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

STARKVILLE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 17,136,224	16,105,418	16,559,951	15,218,403
Intermediate sources	132,016	75,220	85,066	80,871
State sources	17,807,856	18,983,664	20,628,605	21,024,351
Federal sources	8,752,980	8,656,123	6,243,263	6,952,988
Sixteenth section sources	9,605	129,586	88,421	41,088
Total Revenues	<u>43,838,681</u>	<u>43,950,011</u>	<u>43,605,306</u>	<u>43,317,701</u>
Expenditures:				
Instruction	22,316,511	23,858,803	23,769,489	23,347,466
Support services	14,324,601	13,212,986	13,295,830	13,371,653
Noninstructional services	3,926,258	4,687,109	4,282,266	4,400,406
Sixteenth section	3,190	21,115	48,037	8,249
Facilities acquisition and construction	2,176,307	9,258,340	11,061,571	842,032
Debt service:				
Principal	1,878,756	1,255,782	1,188,129	956,741
Interest	1,189,892	828,230	489,685	301,971
Other	14,402	50,003	89,857	39,299
Total Expenditures	<u>45,829,917</u>	<u>53,172,368</u>	<u>54,224,864</u>	<u>43,267,817</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,991,236)</u>	<u>(9,222,357)</u>	<u>(10,619,558)</u>	<u>49,884</u>
Other Financing Sources (Uses):				
Proceeds of general obligation bonds		11,575,000	9,925,000	
Proceeds of refunding bonds		1,421,680		
Insurance loss recoveries	134,379		41,910	
Sale of transportation equipment		4,588		
Sale of other property			3,581	
Operating transfers in	730,923	782,501	1,101,757	1,475,022
Other financing sources	21,568		60,549	5,057,549
Operating transfers out	(730,923)	(782,501)	(1,101,757)	(1,475,022)
Other financing uses		(1,424,828)	(462,077)	(9,859)
Total Other Financing Sources (Uses)	<u>155,947</u>	<u>11,576,440</u>	<u>9,568,963</u>	<u>5,047,690</u>
Net Change in Fund Balances	<u>(1,835,289)</u>	<u>2,354,083</u>	<u>(1,050,595)</u>	<u>5,097,574</u>
Fund Balances:				
July 1, as originally reported	12,590,609	10,218,952	11,162,847	5,956,200
Prior period adjustments	184,074		93,134	118,620
July 1, as restated	<u>12,774,683</u>	<u>10,218,952</u>	<u>11,255,981</u>	<u>6,074,820</u>
Increase (Decrease) in reserve for inventory	(18,313)	17,574	13,566	(9,547)
June 30,	<u>\$ 10,921,081</u>	<u>12,590,609</u>	<u>10,218,952</u>	<u>11,162,847</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Starkville School District

We have audited the financial statements of Starkville School District as of and for the year ended June 30, 2011, and have issued our report thereon dated August 3, 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 Starkville School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Starkville School District in a separate letter dated August 3, 2012.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 3, 2012

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Starkville School District

Compliance

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

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

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

Internal Control Over Compliance

Management of the Starkville 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 Starkville School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 3, 2012

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Starkville School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville School District as of and for the year ended June 30, 2011, which collectively comprise Starkville School District's basic financial statements and have issued our report thereon dated August 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain 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 \$480 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

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Finding 1:

Section 37-39-21, Miss. Code Ann. (1972), requires the purchasing agent to be bonded for at least \$50,000.

During the course of our audit, we noted that the business manager functioning as the purchasing agent was not bonded.

Recommendation:

The District should comply with Section 37-39-21.

Response:

The District will comply with Section 37-39-21.

Finding 2:

Section 71-5-359, Miss. Code Ann. (1972), requires the school district to accrued two percent of the applicable wages for the Unemployment Compensation Fund Balance.

During the course of our audit, we noted that the school district does not accrued the two percent required for the Unemployment Fund Balance.

Recommendation:

The school district should comply with Section 71-5-359.

Response:

The school district will comply with Section 71-5-359.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 3, 2012

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Starkville School District

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027, 84.173, 84.391 & 84.392	SPED Cluster
84.394	ARRA- State Fiscal Stabilization Funds (SFSF) - Education State Grants

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

Section II: Financial Statement Findings

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

Material Weaknesses:

Finding 2011-1:

Weaknesses were noted surrounding the completeness and accuracy of the records regarding entries being made to the system after the fiscal year that actually pertained to the fiscal year. The system allows journal entries to be made after the close of the fiscal year that actually appear as if they were made during the fiscal year. After the year end cut-off date, this process makes it difficult to rely upon the general ledger because of the fiscal year totals changing constantly as a result of these entries. It was noted that even though the bank reconciliations were performed timely, several large journal entries were made after the fact that cause the reconciled bank balance to be significantly different from the book balance. We strongly recommend working with the software provider to devise a way that no changes can be made to the books after the designated cut-off date for that fiscal year. It is also recommended that if changes are required after the close of the books, they are handled through prior period adjustments. Even though some improvement was noted, audit adjustments were made to properly reflect the financial statements regarding this weakness.

Recommendation:

We recommend that the established cut-off date be strictly observed and that adjustments made after the cut-off date be properly reflected as prior period adjustments in the proper fiscal year.

Finding 2011-2:

During the course of our audit, we noted errors in transfers coding. We also noted transfers in and transfers out were not in balance in the amount of \$19,991. Transfers in and transfers out are accounts that account for inter-fund transfers between the various funds of the school district. These accounts should equal each other. Adjustments were made to properly present the transfers in and transfers out.

Recommendation:

The District should ensure that inter-fund transfers are accurately and properly recorded.

Finding 2011-3:

Weaknesses in controls of activity funds were noted. Per our review of the General Ledger, receipts and disbursements were not recorded monthly. Activity funds are decentralized with principals and school bookkeepers having total control over these with little or no supervision from a review system in place.

Recommendation:

We recommend that the school district strengthen the controls of the activity funds.

Section III: Findings and Questioned Costs for Federal Awards

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

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

Starkville School District
401 Greensboro Street
Starkville, MS 39759
Dr. Beth Sewell, Interim Superintendent
Rob Logan - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

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

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Rob Logan Phone Number: 662-615-0016</p> <p>b. Corrective Action Planned:</p> <p>We will establish a cut-off date and adjustments made after this date will be properly reflected.</p> <p>c. Anticipated Completion Date:</p> <p>6-30-2012</p>
2011-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Rob Logan Phone Number: 662-615-0016</p> <p>b. Corrective Action Planned:</p> <p>Management will implement internal controls that ensure inter-fund transfers are correctly coded and in balance.</p> <p>c. Anticipated Completion Date:</p> <p>6-30-2012</p>

Starkville School District
401 Greensboro Street
Starkville, MS 39759
Dr. Beth Sewell, Interim Superintendent
Rob Logan - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUE)

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

2011-3

a. Name of Contact Person Responsible for Corrective Action

Name: Rob Logan
Phone Number: 662-615-0016

b. Corrective Action Planned:

We will establish controls in the activity funds in order to record receipts and disbursements in a timely manner. Supervision will be provided so that principals and bookkeepers do not have total control over these.

c. Anticipated Completion Date:

6-30-2012