



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

SUNFLOWER COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

For The Year Ended June 30, 2011

CUNNINGHAM CPAs, PLLC
Certified Public Accountants

SUNFLOWER COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS.....	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Assets.....	15
Exhibit B – Statement of Activities.....	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet.....	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances.....	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	20
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities.....	21
Notes to the Financial Statements.....	22
REQUIRED SUPPLEMENTAL INFORMATION.....	37
Budgetary Comparison Schedule – General Fund.....	38
Budgetary Comparison Schedule – Title I Fund.....	39
Budgetary Comparison Schedule – ARRA IDEA Part B Fund.....	40
Budgetary Comparison Schedule – Sixteenth Section Interest Fund.....	41
Notes to the Required Supplemental Information.....	42
SUPPLEMENTAL INFORMATION.....	43
Schedule of Expenditures of Federal Awards.....	44
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds.....	46
OTHER INFORMATION.....	47
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	48
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years.....	49
REPORTS ON INTERNAL CONTROL AND COMPLIANCE.....	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
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.....	53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	58
AUDITEE'S CORRECTIVE ACTION PLAN.....	61

INDEPENDENT AUDITOR'S REPORT

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Sunflower County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2012, on our consideration of the Sunflower County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sunflower County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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


Cunningham CPAs, PLLC

August 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Sunflower County 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 decreased \$531,752, including a prior period adjustment of \$3,456, which represents a 13% decrease from fiscal year 2010. Total net assets for 2010 decreased \$765,122, including a prior period adjustment of (\$46,342), which represents a 15% decrease from fiscal year 2009.
- General revenues amounted to \$11,217,965 and \$10,696,497, or 69% and 75% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,016,564, or 31% of total revenues for 2011, and \$3,532,945, or 25% of total revenues for 2010.
- The District had \$16,769,737 and \$14,948,222 in expenses for fiscal years 2011 and 2010; only \$5,016,564 for 2011 and \$3,532,945 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,217,965 for 2011 and \$10,696,497 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$10,070,238 in revenues and \$11,126,979 in expenditures for 2011, and \$9,413,252 in revenues and \$10,696,166 in expenditures in 2010. The General Fund's fund balance decreased by \$250,270, from 2010 to 2011, and decreased by \$1,484,254, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$146,714, including a prior period adjustment of \$3,456, for 2011 and decreased by \$57,957, including a prior period adjustment of (\$46,342), for 2010. The increase for 2011 was primarily due to current year additions, net of current year depreciation.
- Long-term debt increased by \$693,000 for 2011 and decreased by \$255,000 for 2010. The increase in 2011 was primarily due to the issuance of three mill tax notes, net of repayment of the debt as required by the amortization schedules. The liability for compensated absences had no change for 2011 and decreased by \$59,337 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual

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

basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$3,672,851 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.

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

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

Table I
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	Percentage Change
Current assets	\$ 4,792,286	\$ 3,946,445	21.43 %
Restricted assets	346,223	296,905	16.61 %
Capital assets, net	3,145,999	2,999,285	4.89 %
Total assets	<u>8,284,508</u>	<u>7,242,635</u>	14.39 %
Current liabilities	1,118,720	243,155	360.09 %
Long-term debt outstanding	3,492,937	2,794,877	24.98 %
Total liabilities	<u>4,611,657</u>	<u>3,038,032</u>	51.80 %
Net assets:			
Invested in capital assets, net of related debt	796,362	283,708	180.70 %
Restricted	563,758	1,406,404	(59.91) %
Unrestricted	2,312,731	2,514,491	(8.02) %
Total net assets	<u>\$ 3,672,851</u>	<u>\$ 4,204,603</u>	(12.65) %

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 \$146,714.
- The principal retirement of \$371,000 of long-term debt.
- Issued a \$1,064,000 three mill note.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$16,234,529 and \$14,229,442, respectively. The total cost of all programs and services was \$16,769,737 for 2011 and \$14,948,222 for 2010.

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

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

Table 2
Changes in Net Assets

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 221,389	\$ 202,508	9.32 %
Operating grants and contributions	4,795,175	3,330,437	43.98 %
General revenues:			
Property taxes	2,922,733	2,723,109	7.33 %
Grants and contributions not restricted	7,847,338	7,535,984	4.13 %
Investment earnings	15,405	38,063	(59.53) %
Sixteenth section sources	369,227	358,949	2.86 %
Other	63,262	40,392	56.62 %
Total revenues	<u>16,234,529</u>	<u>14,229,442</u>	14.09 %
Expenses:			
Instruction	9,155,889	8,611,084	6.33 %
Support services	6,240,819	5,013,075	24.49 %
Non-instructional	1,255,593	1,243,142	1.00 %
Sixteenth section	23,731	2,579	820.16 %
Interest on long-term liabilities and other debt service costs	93,705	78,342	19.61 %
Total expenses	<u>16,769,737</u>	<u>14,948,222</u>	12.19 %
Increase (Decrease) in net assets	<u>(535,208)</u>	<u>(718,780)</u>	(25.54) %
Net Assets, July 1, as originally reported	<u>4,204,603</u>	<u>4,969,725</u>	(15.40) %
Prior period adjustments	<u>3,456</u>	<u>(46,342)</u>	(107.46) %
Net Assets, July 1, as restated	<u>4,208,059</u>	<u>4,923,383</u>	(14.53) %
Net Assets, June 30,	<u>\$ 3,672,851</u>	<u>\$ 4,204,603</u>	(12.65) %

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 and other debt service costs. 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.

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 9,155,889	\$ 8,611,084	6.33 %
Support services	6,240,819	5,013,075	24.49 %
Non-instructional	1,255,593	1,243,142	1.00 %
Sixteenth section	23,731	2,579	820.16 %
Interest on long-term liabilities and other debt service costs	93,705	78,342	19.61 %
Total expenses	<u>\$ 16,769,737</u>	<u>\$ 14,948,222</u>	12.19 %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (6,725,496)	\$ (7,423,639)	(9.40) %
Support services	(4,746,776)	(3,863,363)	22.87 %
Non-instructional	(163,465)	(47,354)	245.20 %
Sixteenth section	(23,731)	(2,579)	820.16 %
Interest on long-term liabilities and other debt service costs	(93,705)	(78,342)	19.61 %
Total net (expense) revenue	<u>\$ (11,753,173)</u>	<u>\$ (11,415,277)</u>	2.96 %

- Net cost of governmental activities (\$11,753,173 for 2011 and \$11,415,277 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$2,922,733 for 2011 and \$2,723,109 for 2010) and state and federal revenues (\$7,847,338 for 2011 and \$7,535,984 for 2010). In addition, there was \$369,227 and \$358,949 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$15,405 for 2011 and \$38,063 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,010,329, an increase of \$29,313, which includes a decrease in inventory of \$916. \$2,191,444 or 55% 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 \$1,818,885 or 45% is either nonspendable or restricted to indicate that it is not available for spending except only for the purposes to which it is restricted.

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$250,270. The fund balance of Other Governmental Funds showed a decrease in the amount of \$21,834, which includes a decrease in reserve for inventory of \$916, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	No change
ARRA IDEA Part B Fund	\$ (48,008)
16th Section Interest Fund	\$ 349,425

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 and each major special revenue fund is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$7,536,529, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$205,062 from 2010. Total accumulated depreciation as of June 30, 2011, was \$4,390,530, and total depreciation expense for the year was \$152,684, resulting in total net capital assets of \$3,145,999.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 86,550	\$ 86,550	0.00 %
Buildings	2,041,647	2,087,822	(2.21) %
Building improvements	160,993	169,816	(5.20) %
Improvements other than buildings	27,121	28,628	(5.26) %
Mobile equipment	739,607	530,052	39.53 %
Furniture and equipment	90,081	96,417	(6.57) %
Total	<u>\$ 3,145,999</u>	<u>\$ 2,999,285</u>	4.89 %

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

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

Debt Administration. At June 30, 2011, the District had \$3,492,937 in outstanding long-term debt, of which \$383,940 is due within one year. The liability for compensated absences had no change from the prior year.

The District maintains an A+ bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,005,000	\$ 2,265,000	(11.48) %
Three mill notes payable	1,439,000	486,000	196.09 %
Compensated absences payable	79,300	79,300	0.00 %
Total	<u>3,523,300</u>	<u>2,830,300</u>	24.49 %
Less bond issue costs	<u>(30,363)</u>	<u>(35,423)</u>	<u>(14.28) %</u>
Total	<u>\$ 3,492,937</u>	<u>\$ 2,794,877</u>	<u>24.98 %</u>

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

CURRENT ISSUES

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

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

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

Enrollment for 2010-2011 year increased by 6% to 1,640 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or additional financial information, contact the Superintendent's Office of the Sunflower County School District, P.O. Box 70, Indianola, Mississippi 38751.

FINANCIAL STATEMENTS

SUNFLOWER COUNTY SCHOOL DISTRICT

Statement of Net Assets
June 30, 2011

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	4,083,198
Due from other governments		652,251
Inventories		12,200
Restricted assets		346,223
Deferred debt issuance costs		44,637
Capital assets, non-depreciable:		
Land		86,550
Capital assets, net of accumulated depreciation:		
Buildings		2,041,647
Building improvements		160,993
Improvements other than buildings		27,121
Mobile equipment		739,607
Furniture and equipment		90,081
Total Assets		8,284,508
Liabilities		
Accounts payable and accrued liabilities		979,052
Unearned revenue		104,491
Interest payable on long-term liabilities		35,177
Long-term liabilities, due within one year:		
Capital related liabilities		274,940
Non-capital related liabilities		109,000
Long-term liabilities, due beyond one year:		
Capital related liabilities		2,074,697
Non-capital related liabilities		1,034,300
Total Liabilities		4,611,657
Net Assets		
Invested in capital assets, net of related debt		796,362
Restricted for:		
Expendable:		
School-based activities		38,207
Debt service		458,208
Unemployment benefits		51,234
Non-expendable:		
Sixteenth section		16,109
Unrestricted		2,312,731
Total Net Assets	\$	3,672,851

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 9,155,889	176,659	2,253,734	-		(6,725,496)
Support services	6,240,819	-	1,494,043	-		(4,746,776)
Non-instructional	1,255,593	44,730	1,047,398	-		(163,465)
Sixteenth section	23,731	-	-	-		(23,731)
Interest on long-term liabilities and other debt service costs	93,705	-	-	-		(93,705)
Total Governmental Activities	\$ 16,769,737	221,389	4,795,175	-		(11,753,173)
General Revenues:						
Taxes:						
						2,745,190
						177,543
Unrestricted grants and contributions:						
						7,070,879
						776,459
						15,405
						369,227
						63,262
						11,217,965
						(535,208)
						4,204,603
						3,456
						4,208,059
						\$ 3,672,851

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	ARRA IDEA Part B Fund	16th Section Interest Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 2,624,989	\$ 89,777	\$ -	\$ 1,119,950	\$ 440,046	\$ 4,274,762
Cash with fiscal agents	-	-	-	-	154,659	154,659
Due from other governments	102,964	60,885	54,904	-	333,498	552,251
Due from other funds	183,526	-	-	-	-	183,526
Advances	100,000	-	-	-	-	100,000
Inventories	-	-	-	-	12,200	12,200
Total Assets	\$ 3,011,479	\$ 150,662	\$ 54,904	\$ 1,119,950	\$ 940,403	\$ 5,277,398
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 720,035	\$ 89,777	\$ 48,008	\$ -	\$ 121,232	\$ 979,052
Due to other funds	-	60,885	6,896	-	115,745	183,526
Unearned revenue	-	-	48,008	-	56,483	104,491
Total Liabilities	720,035	150,662	102,912	-	293,460	1,267,069
Fund Balances:						
Nonspendable:						
Advances	100,000	-	-	-	-	100,000
Inventory	-	-	-	-	12,200	12,200
Permanent fund principal	-	-	-	-	16,109	16,109
Restricted:						
Debt service	-	-	-	-	493,385	493,385
Unemployment benefits	-	-	-	-	51,234	51,234
Other commitments	-	-	(48,008)	1,119,950	74,015	1,145,957
Unassigned	2,191,444	-	-	-	-	2,191,444
Total Fund Balances	2,291,444	-	(48,008)	1,119,950	646,943	4,010,329
Total Liabilities and Fund Balances	\$ 3,011,479	\$ 150,662	\$ 54,904	\$ 1,119,950	\$ 940,403	\$ 5,277,398

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 4,010,329

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

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

Land	\$	86,550	
Buildings		4,776,162	
Building improvements		220,558	
Improvements other than buildings		37,669	
Mobile equipment		1,939,267	
Furniture and equipment		476,323	
Accumulated depreciation		<u>(4,390,530)</u>	3,145,999

2. Bond issue costs related to advance refunding are reported as expenses in the fund financial statements but are capitalized as deferred charges and amortized over the life of the debt in government-wide financial statements.

44,637

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

Limited obligation bonds		(2,005,000)	
Three mill notes payable		(1,439,000)	
Compensated absences		(79,300)	
Unamortized discounts and other debt issuance costs		30,363	
Accrued interest payable		<u>(35,177)</u>	<u>(3,528,114)</u>

Net assets of governmental activities \$ 3,672,851

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	ARRA IDEA Part B Fund	16th Section Interest Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 2,983,668	\$ -	\$ -	\$ 3,929	\$ 224,958	\$ 3,212,555
Intermediate sources	467	-	-	-	30,077	30,544
State sources	6,805,820	-	-	-	551,253	7,357,073
Federal sources	280,283	1,841,881	299,208	-	2,864,067	5,285,439
Sixteenth section sources	-	-	-	369,227	-	369,227
Total Revenues	10,070,238	1,841,881	299,208	373,156	3,670,355	16,254,838
Expenditures:						
Instruction	6,178,176	1,489,761	82,526	-	1,322,938	9,073,401
Support services	4,891,777	227,835	262,302	-	1,095,955	6,477,869
Noninstructional services	57,026	101,414	-	-	1,084,933	1,243,373
Sixteenth section	-	-	-	23,731	-	23,731
Debt service:						
Principal	-	-	-	-	371,000	371,000
Interest	-	-	-	-	78,926	78,926
Total Expenditures	11,126,979	1,819,010	344,828	23,731	3,953,752	17,268,300
Excess (Deficiency) of Revenues over (under) Expenditures	(1,056,741)	22,871	(45,620)	349,425	(283,397)	(1,013,462)
Other Financing Sources (Uses):						
Bonds and notes issued	1,064,000	-	-	-	-	1,064,000
Insurance recoveries	5,233	-	-	-	-	5,233
Operating transfers in	38,337	-	-	-	304,273	342,610
Operating transfers out	(276,650)	(22,871)	(2,388)	-	(40,701)	(342,610)
Other financing uses	(24,449)	-	-	-	(1,093)	(25,542)
Total Other Financing Sources (Uses)	806,471	(22,871)	(2,388)	-	262,479	1,043,691
Net Change in Fund Balances	(250,270)	-	(48,008)	349,425	(20,918)	30,229
Fund Balances:						
July 1, 2010	2,541,714	-	-	770,525	668,777	3,981,016
Decrease in reserve for inventory	-	-	-	-	(916)	(916)
June 30, 2011	\$ 2,291,444	\$ -	\$ (48,008)	\$ 1,119,950	\$ 646,943	\$ 4,010,329

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 30,229

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 295,942	
Depreciation expense	<u>(152,684)</u>	143,258

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

Bonds and notes issued	(1,064,000)	
Payments of debt principal	371,000	
Accrued interest payable	<u>(2,279)</u>	(695,279)

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

Amortization of discounts and deferred issue costs	(12,500)	
Change in inventory reserve	<u>(916)</u>	<u>(13,416)</u>

Change in net assets of governmental activities \$ (535,208)

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 317,151
Total Assets	<u>\$ 317,151</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 215,506
Due to student clubs	1,645
Advances from other funds	100,000
Total Liabilities	<u>\$ 317,151</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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

Note 1 -- Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

ARRA IDEA Part B Fund - This fund provides revenues for children with disabilities with a free and appropriate education, as a result of the American Reinvestment and Recovery Act.

Sixteenth Section Interest Fund- This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Interest Fund. Those revenues and expenditures include, but are not limited to, timber sales, interest on investments, leases, land improvements, purchase of investments and transfers to district maintenance.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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.

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

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

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

E. Encumbrances

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

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

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

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.

SUNFLOWER COUNTY SCHOOL DISTRICT

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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	*	*

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

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 \$4,274,762 and \$317,151, 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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$4,840,554 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$154,659.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Title I fund	\$ 60,885
	ARRA idea part b fund	6,896
	Other governmental funds	<u>115,745</u>
Total		<u>\$ 183,526</u>

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end.

SUNFLOWER COUNTY SCHOOL DISTRICT

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

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary funds	\$ 100,000
Total		<u>\$ 100,000</u>

Advances were for cash flow purposes.

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 276,650
Title I fund	Other governmental funds	22,871
ARRA idea part b fund	Other governmental funds	2,388
Other governmental funds	General fund	38,337
	Other governmental funds	<u>2,364</u>
Total		<u>\$ 342,610</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation to the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash and cash equivalents balance, totaling \$16,109 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 investment balance, totaling \$154,659, of the MAEP Limited Obligation Bond/Note Fund.

Also, the restricted assets represent the cash balance, totaling \$175,455, of the three mill note debt service funds.

SUNFLOWER COUNTY

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

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 86,550	\$ -	\$ -	\$ -	\$ 86,550
Total non-depreciable capital assets	<u>86,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,550</u>
<u>Depreciable capital assets:</u>					
Buildings	4,776,162	-	-	-	4,776,162
Building improvements	220,558	-	-	-	220,558
Improvements other than buildings	37,669	-	-	-	37,669
Mobile equipment	1,658,278	280,989	-	-	1,939,267
Furniture and equipment	552,250	14,953	-	(90,880)	476,323
Total depreciable capital assets	<u>7,244,917</u>	<u>295,942</u>	<u>-</u>	<u>(90,880)</u>	<u>7,449,979</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,688,340	46,174	-	1	2,734,515
Building improvements	50,742	8,822	-	1	59,565
Improvements other than buildings	9,041	1,507	-	-	10,548
Mobile equipment	1,128,226	78,605	-	(7,171)	1,199,660
Furniture and equipment	455,833	17,576	-	(87,167)	386,242
Total accumulated depreciation	<u>4,332,182</u>	<u>152,684</u>	<u>-</u>	<u>(94,336)</u>	<u>4,390,530</u>
Total depreciable capital assets, net	<u>2,912,735</u>	<u>143,258</u>	<u>-</u>	<u>3,456</u>	<u>3,059,449</u>
Governmental activities capital assets, net	<u>\$ 2,999,285</u>	<u>\$ 143,258</u>	<u>\$ -</u>	<u>\$ 3,456</u>	<u>\$ 3,145,999</u>

Adjustments were made in order to balance to the capital asset subsidiary ledgers.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 82,488
Support services	58,892
Non-instructional	11,304
Total depreciation expense - Governmental activities	<u>\$ 152,684</u>

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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. Limited obligation bonds payable	\$ 2,265,000	-	(260,000)	2,005,000	270,000
B. Three mill notes payable	486,000	1,064,000	(111,000)	1,439,000	119,000
C. Compensated absences payable	79,300	-	-	79,300	-
Total	<u>2,830,300</u>	<u>1,064,000</u>	<u>(371,000)</u>	<u>3,523,300</u>	<u>389,000</u>
Less deferred amounts on issues	<u>(35,423)</u>	-	<u>5,060</u>	<u>(30,363)</u>	<u>(5,060)</u>
Total, net	<u>\$ 2,794,877</u>	<u>1,064,000</u>	<u>(365,940)</u>	<u>3,492,937</u>	<u>383,940</u>

A. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2009	2.5%-3.00%	2/27/2009	3/1/2018	\$ 2,415,000	\$ 2,005,000
Total				<u>\$ 2,415,000</u>	<u>\$ 2,005,000</u>

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 270,000	\$ 51,195	\$ 321,195
2013	275,000	45,120	320,120
2014	280,000	38,933	318,933
2015	285,000	32,352	317,352
2016	295,000	25,228	320,228
2017-2018	600,000	26,560	626,560
Total	<u>\$ 2,005,000</u>	<u>\$ 219,388</u>	<u>\$ 2,224,388</u>

This debt will be retired from the MAEP bond retirement fund.

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 included in the computation of the debt limit percentage.

SUNFLOWER COUNTY SCHOOL DISTRICT

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

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2004	4.13%	8/27/2004	8/27/2014	\$ 600,000	\$ 375,000
Limited Tax Notes, Series 2011	4.05%	5/17/2011	5/17/2021	1,064,000	1,064,000
Total				<u>\$ 1,664,000</u>	<u>\$ 1,439,000</u>

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

Limited Tax Notes, Series 2004

Year Ending June 30	Principal	Interest	Total
2012	\$ 10,000	\$ 15,469	\$ 25,469
2013	117,000	15,056	132,056
2014	122,000	10,230	132,230
2015	126,000	5,198	131,198
Total	<u>\$ 375,000</u>	<u>\$ 45,953</u>	<u>\$ 420,953</u>

Limited Tax Notes, Series 2011

Year Ending June 30	Principal	Interest	Total
2012	\$ 109,000	\$ 43,092	\$ 152,092
2013	7,000	38,678	45,678
2014	7,000	38,394	45,394
2015	8,000	38,111	46,111
2016	140,000	37,787	177,787
2017-21	793,000	98,981	891,981
Total	<u>\$ 1,064,000</u>	<u>\$ 295,043</u>	<u>\$ 1,359,043</u>

Total Three Mill Notes Payable

Year Ending June 30	Principal	Interest	Total
2012	\$ 119,000	\$ 58,561	\$ 177,561
2013	124,000	53,734	177,734
2014	129,000	48,624	177,624
2015	134,000	43,309	177,309
2016	140,000	37,787	177,787
2017-2021	793,000	98,981	891,981
Total	<u>\$ 1,439,000</u>	<u>\$ 340,996</u>	<u>\$ 1,779,996</u>

SUNFLOWER COUNTY SCHOOL DISTRICT

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

C. Compensated absences payable.

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

Note 7 - Prior Year Defeasance of Debt

In prior years, the Sunflower County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2011, \$1,875,000 of bonds outstanding are defeased.

Note 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 286,776
2013	254,309
2014	254,309
2015	42,569
2016	17,035
2017 – 2021	53,065
2022 – 2026	4,900
2027 – 2031	4,750
Thereafter	9,470
Total	<u>\$ 927,183</u>

Note 9 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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 \$950,945, \$992,130 and \$938,830, respectively, which equaled the required contributions for each year.

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 12 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative 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 West Tallahatchie School District, Coahoma County School District, Quitman County School District, Mound Bayou School District, Coahoma Agricultural High School District, North Panola School District and Sunflower County School District.

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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

The West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

Note 13 – Other Commitments

Commitments under renovation contracts amount to \$297,843.

Note 14 – Prior Period Adjustments

A summary of significant net asset adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To balance to capital assets subsidiary ledgers.	\$ 3,456
Total	<u>\$ 3,456</u>

Note 15 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Sunflower County School District evaluated the activity of the district through August 29, 2012, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

By action of the Mississippi State Legislature, effective July 1, 2012, the Drew School District has merged with the Sunflower County School District. Drew School District will cease to exist and any assets and liabilities will be assumed by the Sunflower County School District. This merger will be reported in Sunflower County School District's financial statements for the year ended June 30, 2013.

REQUIRED SUPPLEMENTAL INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT

Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,934,649	\$ 2,915,526	\$ 2,983,668	\$ (19,123)	\$ 68,142
Intermediate sources	-	467	467	467	-
State sources	7,210,101	6,805,820	6,805,820	(404,281)	-
Federal sources	-	280,283	280,283	280,283	-
Total Revenues	10,144,750	10,002,096	10,070,238	(142,654)	68,142
Expenditures:					
Instruction	6,231,049	6,138,252	6,178,176	92,797	(39,924)
Support services	3,529,049	4,636,115	4,891,777	(1,107,066)	(255,662)
Noninstructional services	-	57,026	57,026	(57,026)	-
Facilities acquisition and construction	50,000	-	-	50,000	-
Total Expenditures	9,810,098	10,831,393	11,126,979	(1,021,295)	(295,586)
Excess (Deficiency) of Revenues over (under) Expenditures	334,652	(829,297)	(1,056,741)	(1,163,949)	(227,444)
Other Financing Sources (Uses):					
Insurance recoveries	-	5,232	5,233	5,232	1
Bonds and notes issued	-	1,064,000	1,064,000	1,064,000	-
Operating transfers in	752,500	880,109	38,337	127,609	(841,772)
Operating transfers out	(910,000)	(1,049,777)	(276,650)	(139,777)	773,127
Other financing sources	-	(20,414)	(24,449)	(20,414)	(4,035)
Total Other Financing Sources (Uses)	(157,500)	879,150	806,471	1,036,650	(72,679)
Net Change in Fund Balances	177,152	49,853	(250,270)	(127,299)	(300,123)
Fund Balances:					
July 1, 2010	2,541,714	2,541,714	2,541,714	-	-
June 30, 2011	<u>\$ 2,718,866</u>	<u>\$ 2,591,567</u>	<u>\$ 2,291,444</u>	<u>\$ (127,299)</u>	<u>\$ (300,123)</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,170,000	\$ 1,872,628	\$ 1,841,881	\$ 702,628	\$ (30,747)
Total Revenues	<u>1,170,000</u>	<u>1,872,628</u>	<u>1,841,881</u>	<u>702,628</u>	<u>(30,747)</u>
Expenditures:					
Instruction	843,245	1,489,761	1,489,761	(646,516)	-
Support services	840,215	227,835	227,835	612,380	-
Noninstructional services	206,621	101,414	101,414	105,207	-
Total Expenditures	<u>1,890,081</u>	<u>1,819,010</u>	<u>1,819,010</u>	<u>71,071</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(720,081)</u>	<u>53,618</u>	<u>22,871</u>	<u>773,699</u>	<u>(30,747)</u>
Other Financing Sources (Uses):					
Operating transfers out	(2,500)	(22,871)	(22,871)	(20,371)	-
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>(22,871)</u>	<u>(22,871)</u>	<u>(20,371)</u>	<u>-</u>
Net Change in Fund Balances	<u>(722,581)</u>	<u>30,747</u>	<u>-</u>	<u>753,328</u>	<u>(30,747)</u>
Fund Balances:					
July 1, 2010	<u>(30,747)</u>	<u>(30,747)</u>	<u>-</u>	<u>-</u>	<u>30,747</u>
June 30, 2011	<u>\$ (753,328)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,328</u>	<u>\$ -</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Required Supplemental Information

**Budgetary Comparison Schedule
ARRA IDEA Part B Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 40,000	\$ 286,809	\$ 299,208	\$ 246,809	\$ 12,399
Total Revenues	<u>40,000</u>	<u>286,809</u>	<u>299,208</u>	<u>246,809</u>	<u>12,399</u>
Expenditures:					
Instruction	-	43,856	82,526	(43,856)	(38,670)
Support services	-	252,964	262,302	(252,964)	(9,338)
Total Expenditures	<u>-</u>	<u>296,820</u>	<u>344,828</u>	<u>(296,820)</u>	<u>(48,008)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>40,000</u>	<u>(10,011)</u>	<u>(45,620)</u>	<u>(50,011)</u>	<u>(35,609)</u>
Other Financing Sources (Uses):					
Operating transfers out	-	(2,388)	(2,388)	(2,388)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,388)</u>	<u>(2,388)</u>	<u>(2,388)</u>	<u>-</u>
Net Change in Fund Balances	<u>40,000</u>	<u>(12,399)</u>	<u>(48,008)</u>	<u>(52,399)</u>	<u>(35,609)</u>
Fund Balances:					
July 1, 2010	<u>12,399</u>	<u>12,399</u>	<u>-</u>	<u>-</u>	<u>(12,399)</u>
June 30, 2011	<u>\$ 52,399</u>	<u>\$ -</u>	<u>\$ (48,008)</u>	<u>\$ (52,399)</u>	<u>\$ (48,008)</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 3,929	\$ 3,929	3,929	-
Sixteenth section sources	377,500	369,227	369,227	(8,273)	-
Total Revenues	<u>377,500</u>	<u>373,156</u>	<u>373,156</u>	<u>(4,344)</u>	<u>-</u>
Expenditures:					
Sixteenth section	25,850	23,731	23,731	2,119	-
Total Expenditures	<u>25,850</u>	<u>23,731</u>	<u>23,731</u>	<u>2,119</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>351,650</u>	<u>349,425</u>	<u>349,425</u>	<u>(2,225)</u>	<u>-</u>
Net Change in Fund Balances	<u>351,650</u>	<u>349,425</u>	<u>349,425</u>	<u>(2,225)</u>	<u>-</u>
Fund Balances:					
July 1, 2010	<u>770,525</u>	<u>770,525</u>	<u>770,525</u>	-	-
June 30, 2011	<u>\$ 1,122,175</u>	<u>\$ 1,119,950</u>	<u>\$ 1,119,950</u>	<u>\$ (2,225)</u>	<u>\$ -</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(3) Budget Variances

The budget variances noted for the General Fund, Title I Fund and ARRA IDEA Part B Fund are a result of auditor adjustment and do not result in state compliance violations.

SUPPLEMENTAL INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT

Supplemental Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 298,316
National school lunch program	10.555	682,883
Total child nutrition cluster		<u>981,199</u>
Total passed-through Mississippi Department of Education		<u>981,199</u>
Total U.S. Department of Agriculture		<u>981,199</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	244,021
Total Federal Communications Commission		<u>244,021</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - state grants	84.186	23,422
Innovative education program strategies	84.298	6,018
Gaining early awareness and readiness in undergraduate programs	84.334	20,505
Rural education	84.358	22,413
Improving teacher quality state grants	84.367	614,040
Subtotal		<u>686,398</u>
Education Technology State Grants Cluster:		
Education technology state grants	84.318	11,503
ARRA - Education technology state grants, Recovery Act	84.386	40,006
Total education technology state grants cluster		<u>51,509</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,932,197
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	214,337
Total Title I cluster		<u>2,146,534</u>
Special education cluster:		
Special education - grants to states	84.027	380,942
ARRA - Special education grants to states, Recovery Act	84.391	347,216
Total special education cluster		<u>728,158</u>
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	473,715
Total State Fiscal Stabilization Fund cluster		<u>473,715</u>
Total passed-through Mississippi Department of Education		<u>4,086,314</u>
Total U.S. Department of Education		<u>4,086,314</u>

SUNFLOWER COUNTY SCHOOL DISTRICT

Supplemental Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health:		
Medical assistance program	93.778	<u>17,893</u>
Total passed-through Mississippi Department of Health		<u>17,893</u>
Total U.S. Department of Health and Human Services		<u><u>17,893</u></u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	<u>36,263</u>
Total passed-through Mississippi Emergency Management Agency		<u>36,263</u>
Total U.S. Department of Homeland Security		<u><u>36,263</u></u>
Total for All Federal Awards		<u><u>\$ 5,365,690</u></u>

NOTES TO SCHEDULE

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Supplemental Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,347,247	8,374,390	708,007	639,725	1,625,125
Other	5,921,053	2,296,891	1,004,263	4,097	2,615,802
Total	\$ 17,268,300	10,671,281	1,712,270	643,822	4,240,927
 Total number of students *	 1,640				
 Cost per student	 \$ 10,529	 6,506	 1,044	 393	 2,586

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

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

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

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

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

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

OTHER INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,983,668	\$ 2,770,377	\$ 2,613,987	\$ 2,618,780
Intermediate sources	467	-	-	-
State sources	6,805,820	6,591,107	7,898,245	8,238,405
Federal sources	280,283	51,768	99,875	43,544
Total Revenues	10,070,238	9,413,252	10,612,107	10,900,729
Expenditures:				
Instruction	6,178,176	6,809,650	6,655,392	6,364,727
Support services	4,891,777	3,830,841	4,025,588	3,944,376
Noninstructional services	57,026	54,175	-	-
Debt service:				
Other debt service	-	1,500	-	-
Total Expenditures	11,126,979	10,696,166	10,680,980	10,309,103
Excess (Deficiency) of Revenues over (under) Expenditures	(1,056,741)	(1,282,914)	(68,873)	591,626
Other Financing Sources (Uses):				
Bonds and notes issued	1,064,000	-	-	-
Sale of transportation equipment	-	-	600	-
Insurance loss recoveries	5,233	-	2,176	29,834
Operating transfers in	38,337	-	784,627	123,522
Other financing sources	-	11,430	-	-
Operating transfers out	(276,650)	(212,770)	(245,199)	(199,065)
Other financing uses	(24,449)	-	(32,849)	-
Total Other Financing Sources (Uses)	806,471	(201,340)	509,355	(45,709)
Net Change in Fund Balances	(250,270)	(1,484,254)	440,482	545,917
Fund Balances:				
Beginning of period	2,541,714	4,025,968	3,585,486	3,039,569
End of Period	\$ 2,291,444	\$ 2,541,714	\$ 4,025,968	\$ 3,585,486

*SOURCE - PRIOR YEAR AUDIT REPORTS

SUNFLOWER COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 3,212,555	\$ 2,998,887	\$ 2,831,241	\$ 2,868,433
Intermediate sources	30,544	-	46,693	-
State sources	7,357,073	7,111,145	8,464,157	8,890,150
Federal sources	5,285,439	3,755,277	3,882,573	3,674,519
Sixteenth section sources	369,227	358,949	350,016	354,089
Total Revenues	16,254,838	14,224,258	15,574,680	15,787,191
Expenditures:				
Instruction	9,073,401	8,577,486	8,397,966	8,159,542
Support services	6,477,869	5,070,317	5,469,179	5,095,990
Noninstructional services	1,243,373	1,272,974	1,267,132	1,227,213
Sixteenth section	23,731	2,579	24,806	23,168
Debt service:				
Principal	371,000	255,000	307,000	355,000
Interest	78,926	86,641	146,311	162,173
Other	-	2,524	61,205	-
Total Expenditures	17,268,300	15,267,521	15,673,599	15,023,086
Excess (Deficiency) of Revenues over (under) Expenditures	(1,013,462)	(1,043,263)	(98,919)	764,105
Other Financing Sources (Uses):				
Proceeds of refunding bonds	-	-	2,415,000	-
Bonds and notes issued	1,064,000	-	-	-
Insurance loss recoveries	5,233	-	2,176	29,834
Sale of transportation equipment	-	-	600	-
Sale of other property	-	-	385	-
Operating transfers in	342,610	215,883	1,031,344	323,462
Other financing sources	-	11,430	-	-
Operating transfers out	(342,610)	(215,883)	(1,031,344)	(323,462)
Discount on debt issuance	-	-	(40,483)	-
Payment to refunded bond escrow agent	-	-	(2,315,000)	-
Other financing uses	(25,542)	(6,246)	(32,849)	-
Total Other Financing Sources (Uses)	1,043,691	5,184	29,829	29,834
Net Change in Fund Balances	30,229	(1,038,079)	(69,090)	793,939
Fund Balances:				
Beginning of period	3,981,016	5,013,341	5,081,007	4,289,278
Increase (Decrease) in reserve for inventory	(916)	5,754	1,424	(2,210)
End of Period	\$ 4,010,329	\$ 3,981,016	\$ 5,013,341	\$ 5,081,007

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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
Sunflower County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County School District as of and for the year ended June 30, 2011, and have issued our report thereon dated August 29, 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 Sunflower County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sunflower County 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 Sunflower County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sunflower County School District's internal control over financial reporting.

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

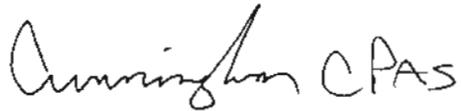
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. [Finding 2011-01]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunflower County 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*.

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

August 29, 2012

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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

Superintendent and School Board
Sunflower County School District

Compliance

We have audited Sunflower County 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 Sunflower County School District's major federal programs for the year ended June 30, 2011. Sunflower County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Sunflower County School District's management. Our responsibility is to express an opinion on Sunflower County 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 Sunflower County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sunflower County School District's compliance with those requirements.

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

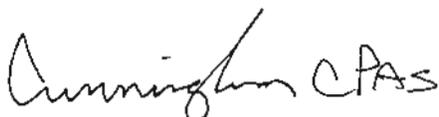
Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

August 29, 2012

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

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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

Superintendent and School Board
Sunflower County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County School District as of and for the year ended June 30, 2011, which collectively comprise Sunflower County School District's basic financial statements and have issued our report thereon dated August 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$12,471 of classroom supply funds carried over from previous years.

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

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

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

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

August 29, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNFLOWER COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to the 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 finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Child Nutrition Cluster: | |
| | CFDA # | 10.553 |
| | CFDA # | 10.555 |
| | B. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | CFDA # | 84.389 |
| | C. ARRA - State Fiscal Stabilization - Education State Grants, Recovery Act | |
| | CFDA # | 84.394 |
| | D. Special Education Cluster: | |
| | CFDA # | 84.027 |
| | CFDA # | 84.391 |
| | E. Improving Teacher Quality State Grants | |
| | CFDA # | 84.367 |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

SUNFLOWER COUNTY SCHOOL DISTRICT

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

Section II: Financial Statement Findings

Significant Deficiency Considered to Be a Material Weakness

2011-01 Controls Surrounding the Financial Statement Close

Finding

The district does not have procedures in place to perform an accurate cutoff regarding accounts payable and the related expenditures.

During our search for unrecorded liabilities as of June 30, 2011, we noted \$298,956 of expenditures that should have been recorded in fiscal year 2011, but were instead included in fiscal year 2012. This resulted in an understatement of accounts payable and the related expenditures. An audit adjustment was proposed and made by management to properly record these transactions.

Recommendation

We recommend that the district put procedures in place to ensure that an accurate cutoff is made at the end of each fiscal year. This includes accruing invoices in which the services were performed and/or the goods were received prior to year-end. It also includes removing invoices from accounts payable in which the services were not performed and/or the goods were not received prior to year-end.

Section III: Federal Award Findings and Questioned Costs

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

Sunflower County School District

Charles K. Barron, Conservator

P.O. Box 70

Indianola, Mississippi 38751

TELEPHONE (662) 887-4919

FAX (662) 887-7051

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

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

<u>Finding</u>	<u>Correction Action Plan Details</u>
2011-01	<p>a. Name of Contact Person Responsible for Corrective Action: Brett Reynolds, Business Manager</p> <p>b. Corrective Action Planned: The Sunflower County School District will strengthen its internal controls surrounding the year-end close of accounting records.</p> <p>c. Anticipated Completion Date: Immediately</p>