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VICKSBURG WARREN SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2011

Breazeale, Saunders, & O'Neil, Ltd.  
Certified Public Accountants  
Jackson, Mississippi

VICKSBURG WARREN SCHOOL DISTRICT

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VICKSBURG WARREN SCHOOL DISTRICT  
 JUNE 30, 2011  
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VICKSBURG WARREN SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

VICKSBURG WARREN SCHOOL DISTRICT

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**BREAZEALE, SAUNDERS & O'NEIL, LTD.**CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board  
Vicksburg Warren School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vicksburg Warren School District as of and for the year ended June 30, 2011, which collectively comprise the Vicksburg Warren School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Vicksburg Warren 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 Vicksburg Warren School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2012, on our consideration of the Vicksburg Warren 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

VICKSBURG WARREN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

VICKSBURG WARREN SCHOOL DISTRICT

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**VICKSBURG WARREN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

### **FINANCIAL HIGHLIGHTS**

- Total net assets for 2011 increased \$5,065,030, which represents an 11% increase from fiscal year 2010. Total net assets for 2010 increased \$3,414,701, including a prior period adjustment of \$193,042, which represents a 7.89% increase from fiscal year 2009.
- General revenues amounted to \$62,278,104 and \$63,642,359, or 79% and 82% 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 \$16,535,273, or 21% of total revenues for 2011, and \$13,639,019, or 18% of total revenues for 2010.
- The District had \$73,748,347 and \$74,059,719 in expenses for fiscal years 2011 and 2010, only \$16,535,273 for 2011 and \$13,639,019 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$62,278,104 for 2011 and \$63,642,359 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$57,311,586 in revenues and \$54,349,035 in expenditures for 2011, and \$58,764,807 in revenues and \$55,613,540 in expenditures in 2010. The General Fund's fund balance increased by \$2,891,624 from 2010 to 2011, and increased by \$1,303,928, including a prior period adjustment, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$2,913,964 for 2011 and decreased by \$189,284 for 2010. The increase for 2011 was due to the addition of mobile and other equipment and the completion of building additions.
- Long-term debt decreased by \$1,745,000 for 2011 and increased by \$1,810,000 for 2010. This decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$44,047 for 2011 and decreased by \$47,166 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.

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.

**VICKSBURG WARREN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

#### **Fund Financial Statements**

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

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

**VICKSBURG WARREN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

**Notes to the financial statements**

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

**Required Supplemental Information**

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

**Supplemental Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$51,751,027 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

**VICKSBURG WARREN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Table 1  
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 26,746,255	24,688,711	8.33%
Restricted assets	3,988,888	3,794,573	5.12%
Capital assets, net	<u>42,133,710</u>	<u>39,219,746</u>	7.43%
Total assets	<u>72,868,853</u>	<u>67,703,030</u>	7.63%
Current liabilities	2,960,638	2,881,127	2.76%
Long-term debt outstanding	<u>18,157,188</u>	<u>18,135,906</u>	0.12%
Total liabilities	<u>21,117,826</u>	<u>21,017,033</u>	0.48%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	24,703,710	20,044,746	23.24%
Restricted	7,904,173	19,186,108	-17.17%
Unrestricted	<u>19,143,144</u>	<u>7,455,143</u>	49.63%
Total net assets	\$ <u>51,751,027</u>	<u>46,685,997</u>	10.85%

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 \$2,913,964.
- The principal retirement of \$1,789,047 of long-term debt

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$78,813,377 and \$77,281,378, respectively. The total cost of all programs and services was \$73,748,347 for 2011 and \$74,059,719 for 2010.

**VICKSBURG WARREN 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 June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,058,891	1,265,111	-16.30%
Operating grants and contributions	15,476,382	12,373,908	25.07%
General revenues			
Property taxes	25,296,291	25,318,590	-0.09%
Grants and contributions not restricted	34,911,533	36,422,116	-4.15%
Investment earnings	6,779	21,926	-69.08%
Sixteenth section source	1,114,293	1,214,006	-8.21%
Other	<u>949,208</u>	<u>665,721</u>	42.58%
<b>Total revenues</b>	<u><b>78,813,377</b></u>	<u><b>77,281,378</b></u>	1.98%
<b>Expenses:</b>			
Instruction	41,469,247	43,166,185	-3.93%
Support services	28,296,944	26,557,638	6.55%
Non-instructional	3,340,015	3,764,396	-11.27%
Sixteenth section	114,775	21,363	437.26%
Interest on long-term liabilities	<u>527,366</u>	<u>550,137</u>	-4.14%
<b>Total expenses</b>	<u><b>73,748,347</b></u>	<u><b>74,059,719</b></u>	-0.42%
Increase in net assets	<u>5,065,030</u>	<u>3,221,659</u>	57.22%
Net Assets, July 1	46,685,997	43,271,296	7.89%
Prior Period Adjustment	-	<u>193,042</u>	-100.00%
Net Assets Restated, July 1	<u>46,685,997</u>	<u>43,464,338</u>	7.41%
Net Assets, June 30	<u><b>\$ 51,751,027</b></u>	<u><b>46,685,997</b></u>	10.85%

**Governmental activities**

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

**VICKSBURG WARREN 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>Year ended 2011</u>	<u>Year ended 2010</u>	
Instruction	\$ 41,469,247	43,166,185	-3.93%
Support services	28,296,944	26,557,638	6.55%
Non-instructional	3,340,015	3,764,396	-11.27%
Sixteenth section	114,775	21,363	437.26%
Interest on long-term liabilities	527,366	550,137	-4.14%
<b>Total expenses</b>	<b>\$ 73,748,347</b>	<b>74,059,719</b>	<b>-0.42%</b>

  

	<u>Net (Expense) Revenue</u>		<u>Change</u>
	<u>Year ended 2011</u>	<u>Year ended 2010</u>	
Instruction	\$ (32,061,047)	(35,638,219)	-10.04%
Support services	(24,764,154)	(23,930,880)	3.48%
Non-instructional	254,268	(280,101)	-190.78%
Sixteenth section	(114,775)	(21,363)	437.26%
Interest on long-term liabilities	(527,366)	(550,137)	-4.14%
<b>Total net (expense) revenue</b>	<b>\$ (57,213,074)</b>	<b>(60,420,700)</b>	<b>-5.31%</b>

- Net cost of governmental activities (\$57,213,074 for 2011 and \$62,420,700 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$25,296,291 for 2011 and \$25,318,590 for 2010) and state and federal revenues (\$34,911,533 for 2011 and \$36,422,116 for 2010). In addition, there was \$1,114,293 and \$1,214,006 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$6,779 for 2011 and \$21,926 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 \$27,946,586, an increase of \$400,983, which includes an increase in reserve for inventory of \$32,453. \$10,962,251, or 39% 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 \$16,984,335, or 61% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**VICKSBURG WARREN 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 increase in fund balance in the General Fund for the fiscal year was \$2,891,624. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,909,322, which includes an increase in reserve for inventory of \$32,453. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section District	\$ (588,134)
Sixteenth Section Principal Fund	\$ 6,815

**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.

- Budgeted amounts for revenue from local sources in the General Fund were increased during the fiscal year. Amounts originally budgeted were understated.
- Budgeted amounts for revenue from state sources in the General Fund were increased during the fiscal year. Amounts originally budgeted were understated.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the actual federal revenue received and expenditures incurred in the Budget Stabilization Fund.
- Budgeted amounts for support services expenditures in the General Fund were increased during the fiscal year. Amounts originally budgeted were understated.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funds were revised during the fiscal year to reflect actual revenue received and expenditures incurred during the fiscal year.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$71,039,636, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$4,301,058 from 2010. Total accumulated depreciation as of June 30, 2011 was \$28,905,926, and total depreciation expense for the year was \$1,741,436 resulting in total net capital assets of \$42,133,710.

**VICKSBURG WARREN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

	June 30, 2011	June 30, 2010	Percentage Change
Land	\$ 1,056,845	1,056,845	0.00%
Construction in progress	41,661	766,275	-94.56%
Buildings	35,845,893	33,560,995	6.81%
Building improvements	870,773	827,052	5.29%
Improvements other than buildings	312,125	340,192	-8.25%
Mobile equipment	3,670,554	2,341,267	56.78%
Furniture and equipment	335,859	327,120	2.67%
<b>Total</b>	<b>\$ 42,133,710</b>	<b>39,219,746</b>	<b>7.43%</b>

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

**Debt Administration.** At June 30, 2011, the District had \$17,430,000 in outstanding long-term debt, of which \$1,750,000 is due within one year. During the fiscal year, the district made principal payments in the amount of \$1,745,000 on existing long-term debt. The liability for compensated absences decreased \$44,047 from the prior year.

The District maintains a AA bond rating.

**Table 5  
Outstanding Long-Term Debt**

	June 30, 2011	June 30, 2010	Percentage Change
Limited obligation bonds payable	\$ 7,985,000	8,970,000	-10.98%
Limited tax note series, 2009 QSCB	3,000,000	3,000,000	0.00%
General obligation, refunding 2010	6,445,000	7,205,000	-10.55%
Compensated absences payable	727,188	771,235	-5.71%
<b>Total</b>	<b>\$ 18,157,188</b>	<b>19,946,235</b>	<b>-8.97%</b>

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

### CURRENT ISSUES

The Vicksburg Warren School District is financially stable. The district is proud of its community support of the public schools.

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

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

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Vicksburg Warren School District, 1500 Mission 66, Vicksburg, MS 39180.

VICKSBURG WARREN SCHOOL DISTRICT

FINANCIAL STATEMENTS

VICKSBURG WARREN SCHOOL DISTRICT

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VICKSBURG WARREN SCHOOL DISTRICT

Statement of Net Assets  
June 30, 2011

Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 22,606,909
Investments	171,975
Due from other governments	3,748,918
Other receivables, net	14,816
Inventories	158,316
Prepaid items	45,321
Restricted assets	3,988,888
Capital assets, non-depreciable:	
Land	1,056,845
Construction in progress	41,661
Capital assets, net of accumulated depreciation:	
Buildings	35,845,893
Building improvements	870,773
Improvements other than buildings	312,125
Mobile equipment	3,670,554
Furniture and equipment	335,859
Total Assets	72,868,853
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,389,286
Unearned revenue	313,457
Interest payable on long-term liabilities	172,081
Other payables	85,814
Long-term liabilities, due within one year:	
Capital related liabilities	1,750,000
Non-capital related liabilities	61,810
Long-term liabilities, due beyond one year:	
Capital related liabilities	15,680,000
Non-capital related liabilities	665,378
Total Liabilities	21,117,826
<b>Net Assets</b>	
Invested in capital assets, net of related debt	24,703,710
Restricted for:	
Expendable:	
School-based activities	1,110,254
Debt service	1,100,015
Capital improvements	1,481,937
Forestry improvements	224,421
Unemployment benefits	186,158
Non-expendable:	
Sixteenth section	3,801,388
Unrestricted	19,143,144
Total Net Assets	\$ 51,751,027

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

VICKSBURG WARREN SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 41,469,247	264,704	9,143,496	-	\$ (32,061,047)
Support services	28,296,944	-	3,532,790	-	(24,764,154)
Non-instructional	3,340,015	794,187	2,800,096	-	254,268
Sixteenth section	114,775	-	-	-	(114,775)
Interest on long-term liabilities	527,366	-	-	-	(527,366)
<b>Total Governmental Activities</b>	<b>\$ 73,748,347</b>	<b>1,058,891</b>	<b>15,476,382</b>	<b>-</b>	<b>\$ (57,213,074)</b>
<b>General Revenues</b>					
Taxes:					
General purpose levies 25,296,237					
Debt purpose levies 54					
Unrestricted grants and contributions					
State 33,159,634					
Federal 1,751,899					
Unrestricted investment earnings 6,779					
Sixteenth section sources 1,114,293					
Other 949,208					
<b>Total General Revenues 62,278,104</b>					
Change in Net Assets 5,065,030					
Net Assets - Beginning 46,685,997					
<b>Net Assets - Ending \$ 51,751,027</b>					

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

VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

Balance Sheet  
June 30, 2011

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	16 Sec District Fund	16 Sec Principal Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 10,276,114	7,328,410	3,801,363	5,089,622	26,495,509
Cash with fiscal agents	-	-	-	100,263	100,263
Investments	10,547	-	-	161,428	171,975
Due from other governments	1,148,552	-	-	2,600,366	3,748,918
Other receivables, net	14,291	-	25	525	14,841
Due from other funds	1,685,476	-	-	-	1,685,476
Inventories	-	-	-	158,316	158,316
Prepaid items	45,321	-	-	-	45,321
<b>Total assets</b>	<b>\$ 13,180,301</b>	<b>7,328,410</b>	<b>3,801,388</b>	<b>8,110,520</b>	<b>32,420,619</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 2,059,579	28,614	-	301,093	2,389,286
Due to other funds	-	-	-	1,685,476	1,685,476
Unearned revenue	2,720	199,178	-	111,559	313,457
Other payables	-	-	-	85,814	85,814
<b>Total Liabilities</b>	<b>2,062,299</b>	<b>227,792</b>	<b>-</b>	<b>2,183,942</b>	<b>4,474,033</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	158,316	158,316
Permanent fund principal	-	-	3,800,436	-	3,800,436
<b>Restricted:</b>					
Debt service	-	-	-	1,272,096	1,272,096
Forestry improvement purposes	-	-	-	224,421	224,421
Unemployment benefits	-	-	-	186,158	186,158
Other purposes	-	-	952	951,938	952,890
<b>Assigned:</b>					
Student based activities	139,321	-	-	-	139,321
Capital improvements	-	-	-	1,481,937	1,481,937
Other purposes	16,430	7,100,618	-	1,651,712	8,768,760
<b>Unassigned</b>	<b>10,962,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,962,251</b>
<b>Total Fund Balances</b>	<b>11,118,002</b>	<b>7,100,618</b>	<b>3,801,388</b>	<b>5,926,578</b>	<b>27,946,586</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,180,301</b>	<b>7,328,410</b>	<b>3,801,388</b>	<b>8,110,520</b>	<b>32,420,619</b>

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

VICKSBURG WARREN 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 \$ 27,946,586

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

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

Land	\$ 1,056,845	
Construction in progress	41,661	
Buildings	57,297,878	
Building improvements	1,195,804	
Improvements other than buildings	914,846	
Mobile equipment	8,531,023	
Furniture and equipment	2,001,579	
Accumulated depreciation	<u>(28,905,926)</u>	42,133,710

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

General obligation bonds	(6,445,000)	
Limited obligation bonds	(7,985,000)	
Limited tax notes 2009 QSCB	(3,000,000)	
Compensated absences	(727,188)	
Accrued interest payable	<u>(172,081)</u>	<u>(18,329,269)</u>

Net assets of governmental activities \$ 51,751,027

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

VICKSBURG WARREN SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Sec District Fund	16th Sec Principal Fund		
<b>Revenues:</b>					
Local sources	\$ 26,421,448	-	-	856,467	27,277,915
State sources	30,513,680	-	-	3,151,193	33,664,873
Federal sources	376,458	-	-	16,346,584	16,723,042
Sixteenth section sources	-	792,158	8,726	313,405	1,114,289
<b>Total Revenues</b>	<b>57,311,586</b>	<b>792,158</b>	<b>8,726</b>	<b>20,667,649</b>	<b>78,780,119</b>
<b>Expenditures:</b>					
Instruction	30,685,895	-	-	9,948,956	40,634,851
Support services	23,520,440	-	-	5,673,871	29,194,311
Noninstructional services	142,700	-	-	3,421,446	3,564,146
Sixteenth section	-	-	-	114,775	114,775
Facilities acquisition and construction	-	-	-	2,696,310	2,696,310
Debt service					
Principal	-	-	-	1,745,000	1,745,000
Interest	-	-	-	488,402	488,402
<b>Total Expenditures</b>	<b>54,349,035</b>	<b>-</b>	<b>-</b>	<b>24,088,760</b>	<b>78,437,795</b>
Excess (Deficiency) of Revenues over (under) Expenditures	2,962,551	792,158	8,726	(3,421,111)	342,324
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	5,496	-	-	-	5,496
Sale of transportation equipment	15,790	-	-	-	15,790
Sale of other property	4,920	-	-	-	4,920
Operating transfers in	1,530,423	-	-	1,627,556	3,157,979
Operating transfers out	(1,627,556)	(1,380,292)	(1,911)	(148,220)	(3,157,979)
<b>Total Other Financing Sources (Uses)</b>	<b>(70,927)</b>	<b>(1,380,292)</b>	<b>(1,911)</b>	<b>1,479,336</b>	<b>26,206</b>
<b>Net Change in Fund Balances</b>	<b>2,891,624</b>	<b>(588,134)</b>	<b>6,815</b>	<b>(1,941,775)</b>	<b>368,530</b>
<b>Fund Balances</b>					
July 1, 2010	8,226,378	7,688,752	3,794,573	7,835,900	27,545,603
Increase in reserve for inventory	-	-	-	32,453	32,453
June 30, 2011	\$ 11,118,002	7,100,618	3,801,388	5,926,578	27,946,586

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

VICKSBURG WARREN 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** \$ 368,530

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	\$ 4,680,801	
Depreciation expense	<u>(1,741,436)</u>	2,939,365

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.

(25,401)

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

Payments of debt principal	1,745,000	
Accrued interest payable	<u>(38,964)</u>	1,706,036

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

Change in compensated absences	44,047	
Change in inventory reserve	<u>32,453</u>	76,500

**Change in net assets of governmental activities** \$ 5,065,030

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

VICKSBURG WARREN SCHOOL DISTRICT

**Fiduciary Funds**

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2011

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,132,714
Total Assets	<u>\$ 3,132,714</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 2,980,449
Due to student clubs	<u>152,265</u>
Total Liabilities	<u>\$ 3,132,714</u>

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

VICKSBURG WARREN SCHOOL DISTRICT

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**VICKSBURG WARREN 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 5 member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Vicksburg Warren 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.

## VICKSBURG WARREN 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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other cost.

**16th Section District Fund** - This fund is a special revenue fund used to account for the revenues associated with earnings on sixteenth section lands and the expenditures incurred for maintaining and improving sixteenth section lands.

**16th Section Principal Fund** - This is a permanent fund, used to account for the funds which cannot be expended.

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 five (5) agency funds which are used to report resources held by the district in a purely custodial capacity.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

Debt Service Funds - Debt Service Funds are used to account for and report 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.

VICKSBURG WARREN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2011

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances

**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."

**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.

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

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.

	<u>Capitalization Policy</u>	<u>Estimated Useful life</u>
Land	\$ -	
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 - 10 years
Furniture and equipment	5,000	3 - 7 years

7 Compensated Absences

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

VICKSBURG WARREN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2011

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.

When present, 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 further details on long-term liabilities.

9. Fund Balances

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

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

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

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

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

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

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

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

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

**G. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 – Cash and Cash Equivalents**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$26,495,509 and \$3,132,714, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$22,606,909 reported as cash and cash equivalents and \$3,988,888 reported as restricted assets (see Note 4).

**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 \$32,141,872 was exposed to custodial credit risk.

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

Investments

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Federated US Treasury Cash Reserve #632	N/A	\$ 161,428	Not Rated
Certificate of Deposit	12/15/2012	10,547	
		<u>\$ 171,975</u>	

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

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

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

*Concentration of Credit Risk* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Hancock Federated US Treasury Cash Reserve # 632	\$ 161,428	94%

**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	Other Governmental Funds	\$ 1,685,476

The interfund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs. All inter-fund receivables and payables are expected to be repaid within one year.

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

**B. Inter-fund Transfers**

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,627,556
16th Section District	General Fund	1,380,292
16th Section Principal	General Fund	1,911
Other Governmental Funds	General Fund	<u>148,220</u>
Total		<u>\$ 3,157,979</u>

The transfers were primarily for the following: indirect cost transfers, transfers to be used in performing capital projects and transfers of expendable resources of the sixteenth section interest funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and other receivable totaling \$3,801,388 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, and \$187,500 in the QSCB debt service sinking fund, which is explained further in note 13

**Note 5 – Capital Assets**

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

	<u>Balance</u> <u>7/1/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2011</u>
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,056,845	-	-	1,056,845
Construction in progress	<u>766,275</u>	<u>2,599,477</u>	<u>3,324,091</u>	<u>41,661</u>
Total non-depreciable capital assets	<u>1,823,120</u>	<u>2,599,477</u>	<u>3,324,091</u>	<u>1,098,506</u>
<u>Depreciable capital assets</u>				
Buildings	53,973,787	3,324,091	-	57,297,878
Building improvements	1,098,971	96,833	-	1,195,804
Improvements other than buildings	914,846	-	-	914,846
Mobile equipment	6,823,623	1,839,997	132,597	8,531,023
Furniture and equipment	<u>2,104,231</u>	<u>144,494</u>	<u>247,146</u>	<u>2,001,579</u>
Total depreciable capital assets	<u>64,915,458</u>	<u>5,405,415</u>	<u>379,743</u>	<u>69,941,130</u>
<u>Less accumulated depreciation for</u>				
Buildings	20,412,792	1,039,193	-	21,451,985
Building improvements	271,919	53,112	-	325,031
Improvements other than buildings	574,654	28,067	-	602,721
Mobile equipment	4,482,356	497,450	119,337	4,860,469
Furniture and equipment	<u>1,777,111</u>	<u>123,614</u>	<u>235,005</u>	<u>1,665,720</u>
Total accumulated depreciation	<u>27,518,832</u>	<u>1,741,436</u>	<u>354,342</u>	<u>28,905,926</u>
Total depreciable capital assets, net	<u>37,396,626</u>	<u>3,663,979</u>	<u>25,401</u>	<u>41,035,204</u>
Governmental activities capital assets, net	<u>\$ 39,219,746</u>	<u>6,263,456</u>	<u>3,349,492</u>	<u>42,133,710</u>

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

Depreciation expense was charged to the following governmental functions:

Governmental activities:	<u>Amount</u>
Instruction	\$ 957,442
Support services	626,742
Non-instructional services	<u>157,252</u>
Total depreciation expense - Governmental activities	<u>\$ 1,741,436</u>

Construction in progress is composed of:

Governmental Activities:	<u>Spent to June 30, 2011</u>	<u>Remaining Commitment</u>
VHS additions	\$ 22,350	85,738
VJHS additions	9,042	154,343
WCBS additions	9,790	189,236
WCJHS additions	<u>479</u>	<u>22,602</u>
	<u>\$ 41,661</u>	<u>451,919</u>

Construction projects included in governmental activities are funded with bond funds

**Note 6 – Long-term Liabilities**

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

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Amount due within one Year</u>
A. Limited obligation bonds payable	\$ 8,970,000	-	985,000	7,985,000	1,020,000
B. Limited Tax Note Series 2009 QSCB	3,000,000	-	-	3,000,000	-
C. General Obligation Refunding 2010 bonds payable	7,205,000	-	760,000	6,445,000	730,000
D. Compensated absences payable	<u>771,235</u>	<u>-</u>	<u>44,047</u>	<u>727,188</u>	<u>61,810</u>
Total	<u>\$ 19,946,235</u>	<u>-</u>	<u>1,789,047</u>	<u>18,157,188</u>	<u>1,811,810</u>

**A. Limited obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited obligation Bonds, Series 2008	3.35%	7/29/2008	2/1/2018	\$ <u>9,215,000</u>	<u>7,985,000</u>
Total				<u>\$ 9,215,000</u>	<u>7,985,000</u>

**VICKSBURG WARREN 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:

Limited obligation bond issue of 7/29/2008:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,020,000	301,040	1,321,040
2013	1,060,000	263,300	1,323,300
2014	1,095,000	224,610	1,319,610
2015	1,135,000	184,095	1,319,095
2016	1,180,000	141,533	1,321,533
2017-2018	<u>2,495,000</u>	<u>146,223</u>	<u>2,641,223</u>
Total	\$ <u>7,985,000</u>	<u>1,260,801</u>	<u>9,245,801</u>

This debt will be retired from the MAEP Retirement Fund (Debt Service 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. This debt will be retired by the debt service fund.

**B. Qualified school construction bonds payable**

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Note Series 2009 QSCB	N/A	10/2/2009	10/6/2026	\$ 3,000,000	3,000,000
Total				<u>\$ 3,000,000</u>	<u>3,000,000</u>

**C. General obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation refunding, series 2010	2.5% - 3.0%	6/29/2010	4/1/2019	\$ 7,205,000	6,445,000
Total				<u>\$ 7,205,000</u>	<u>6,445,000</u>

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

Details of the district's June 30, 2011 general obligation bond indebtedness are as follows:

General obligation bonds issue date 6/29/2010.

Year ending June 30	Principal	Interest	Total
2012	\$ 730,000	184,544	914,544
2013	750,000	169,944	919,944
2014	765,000	154,944	919,944
2015	790,000	135,819	925,819
2016	810,000	112,119	922,119
2017-2018	2,600,000	179,663	2,779,663
Total	\$ 6,445,000	937,033	7,382,033

There are not terms by which the interest rates change other than the timeliness based on the sale of the bonds. This debt will be retired from the District Maintenance Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss Code Ann. (1972) The outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 1.5% of property assessments as of October 1, 2010

**D. 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 Vicksburg Warren 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, \$6,860,000 of bonds outstanding are defeased

**Note 8 – Other Commitments**

Operating leases:

The school district has several operating leases for the following:

- 1 15 Canon copiers
- 2 15 Canon image runners

Lease expenditures for the year ended June 30, 2011, amounted to \$24,488.

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

Future lease payments for these leases are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2012	\$ 84,563
2013	81,912
2014	78,405
2015	76,788
2016	76,788
2017	<u>6,399</u>
Total	<u>\$ 404,855</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 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 \$4,844,913, \$5,050,795 and \$4,952,349, respectively, which equaled the required contributions for each year.

**Note 10 – 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 <u>June 30,</u>	<u>Amount</u>
2012	\$ 196,300
2013	134,770
2014	126,605
2015	90,265
2016	60,959
Thereafter	<u>167,568</u>
Total	<u>\$ 776,467</u>

**VICKSBURG WARREN SCHOOL DISTRICT**  
Notes to the Financial Statements  
For Year Ended June 30, 2011

**Note 11 – Contingencies**

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. The District has insurance coverage on all claims except EEOC claims. Though the District has filed responses to each claim, 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.

**Note 12 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees, and natural disasters. 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.

**Note 13 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$187,500. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 187,500
2013	187,500
2014	187,500
2015	187,500
2016	187,500
2017-2021	937,500
2022-2025	937,500
Total	<u>\$ 2,812,500</u>

VICKSBURG WARREN SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2011

**Note 14 - 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 Vicksburg Warren School District evaluated the activity of the district through March 5, 2012, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

VICKSBURG WARREN SCHOOL DISTRICT

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VICKSBURG WARREN SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

VICKSBURG WARREN SCHOOL DISTRICT

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**VICKSBURG WARREN 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
<b>Revenues:</b>					
Local sources	\$ 24,724,802	26,421,448	26,421,448	1,696,646	-
State sources	29,656,531	30,513,680	30,513,680	857,149	-
Federal sources	195,590	376,458	376,458	180,868	-
<b>Total Revenues</b>	<b>54,576,923</b>	<b>57,311,586</b>	<b>57,311,586</b>	<b>2,734,663</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	33,102,285	30,685,895	30,685,895	2,416,390	-
Support services	21,975,012	23,520,440	23,520,440	(1,545,428)	-
Noninstructional services	143,786	142,700	142,700	1,086	-
<b>Total Expenditures</b>	<b>55,221,083</b>	<b>54,349,035</b>	<b>54,349,035</b>	<b>872,048</b>	<b>-</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(644,160)	2,962,551	2,962,551	3,606,711	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	5,496	5,496	5,496	-
Sale of transportation equipment	-	15,790	15,790	15,790	-
Sale of other property	-	4,920	4,920	4,920	-
Operating transfers in	3,693,304	1,530,473	1,530,423	(2,162,881)	-
Operating transfers out	(6,207,535)	(1,627,556)	(1,627,556)	4,579,979	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,514,231)</b>	<b>(70,927)</b>	<b>(70,927)</b>	<b>2,443,304</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(3,158,391)</b>	<b>2,891,624</b>	<b>2,891,624</b>	<b>6,050,015</b>	<b>-</b>
<b>Fund Balances</b>					
July 1, 2010	6,883,032	8,226,378	8,226,378	1,343,346	-
June 30, 2011	\$ 3,724,641	11,118,002	11,118,002	7,393,361	-

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

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Sixteenth section sources	\$ 431,953	792,158	792,158	360,205	-
<b>Total Revenues</b>	<u>431,953</u>	<u>792,158</u>	<u>792,158</u>	<u>360,205</u>	<u>-</u>
<b>Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>431,953</u>	<u>792,158</u>	<u>792,158</u>	<u>360,205</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers out	(3,000)	(1,380,292)	(1,380,292)	(1,377,292)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(3,000)</u>	<u>(1,380,292)</u>	<u>(1,380,292)</u>	<u>(1,377,292)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>428,953</u>	<u>(588,134)</u>	<u>(588,134)</u>	<u>(1,017,087)</u>	<u>-</u>
<b>Fund Balances:</b>					
July 1, 2010	<u>7,487,285</u>	<u>7,688,752</u>	<u>7,688,752</u>	<u>201,467</u>	<u>-</u>
June 30, 2011	\$ <u>7,916,238</u>	<u>7,100,618</u>	<u>7,100,618</u>	<u>(815,620)</u>	<u>-</u>

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

VICKSBURG WARREN 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 Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data

(2) Budget Amendments and Revisions

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

VICKSBURG WARREN SCHOOL DISTRICT

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VICKSBURG WARREN SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

VICKSBURG WARREN SCHOOL DISTRICT

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VICKSBURG WARREN 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
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10 553	\$ 928,468
National school lunch program	10 555	2,876,782
Total child nutrition cluster		<u>3,805,250</u>
<b>Total U.S. Department of Agriculture</b>		<u>3,805,250</u>
<b>U.S. Department of Defense</b>		
Direct Program		
Reserve Officers' Training Corps	12.xxx	136,470
<b>Total U.S. Department of Defense</b>		<u>136,470</u>
<b>U.S. Department of Labor</b>		
Direct Program		
ARRA-Employee benefits security administration	17 151	1,962
<b>Total U.S. Department of Labor</b>		<u>1,962</u>
<b>Federal Communications Commission</b>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32 xxx	181,652
<b>Total Federal Communications Commission</b>		<u>181,652</u>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities- state grants	84 186	2,855
School improvement grants	84 377	18,798
Career and technical education-basic grants to states	84 048	111,539
Improving teacher quality- state grants	84 367	610,518
Subtotal		<u>743,710</u>
Education Technology State Grants Cluster:		
Education technology state grants	84 318	20,836
ARRA-Education Technology State Grants, Recovery Act	84 386	43,578
<b>Total Education technology state grants cluster</b>		<u>64,414</u>
Title I cluster		
Title I grants to local educational agencies	84 010	2,790,731
ARRA - Title I grants to local educational agencies, Recovery Act	84 389	553,952
<b>Total Title I cluster</b>		<u>3,344,683</u>
Special education cluster		
Special education - grants to states	84 027	1,890,400
Special education - preschool grants	84.173	88,544
ARRA - Special education grants to states, Recovery Act	84.391	645,086
ARRA - Special education - preschool grants, Recovery Act	84 392	49,470
<b>Total special education cluster</b>		<u>2,673,500</u>
State Fiscal Stabilization Fund cluster		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84 394	2,134,651
<b>Total State Fiscal Stabilization Fund cluster</b>		<u>2,134,651</u>
Education jobs fund	84 410	1,594,029
<b>Total passed-through Mississippi Department of Education</b>		<u>10,554,987</u>

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
Direct programs.		
Safe and drug-free schools and communities- national programs	84 184	1,990,451
Total direct programs		<u>1,990,451</u>
<b>Total U.S. Department of Education</b>		<u><b>12,545,438</b></u>
<b>U.S. Department of Health and Human Services</b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93 778	48,866
<b>Total U.S. Department of Health and Human Services</b>		<u><b>48,866</b></u>
<b>Total for All Federal Awards</b>		<u><b>\$ 16,719,638</b></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

VICKSBURG WARREN SCHOOL DISTRICT

Supplemental Information

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 55,473,505	43,482,218	2,041,327	3,424,048	6,525,912
Other	22,964,290	5,613,339	958,064	65,418	16,327,469
Total	\$ 78,437,795	49,095,557	2,999,391	3,489,466	22,853,381
Total number of students *	8,153				
Cost per student	\$ 9,621	6,022	368	428	2,803

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

VICKSBURG WARREN SCHOOL DISTRICT

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VICKSBURG WARREN SCHOOL DISTRICT

OTHER INFORMATION

VICKSBURG WARREN SCHOOL DISTRICT

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VICKSBURG WARREN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances  
 General Fund  
 Last Four Years  
 UNAUDITED

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 26,421,448	26,449,716	24,878,264	25,000,289
State sources	30,513,680	31,790,935	35,492,562	36,506,726
Federal sources	376,458	524,156	560,070	926,378
<b>Total Revenues</b>	<b>57,311,586</b>	<b>58,764,807</b>	<b>60,930,896</b>	<b>62,433,393</b>
<b>Expenditures:</b>				
Instruction	30,685,895	33,320,477	36,420,097	35,668,838
Support services	23,520,440	22,143,351	21,931,238	22,611,174
Noninstructional services	142,700	148,593	162,603	169,821
Facilities acquisition and construction		-	-	11,790
Debt service				
Principal		-	205,326	294,925
Interest		1,119	6,233	22,351
<b>Total Expenditures</b>	<b>54,349,035</b>	<b>55,613,540</b>	<b>58,725,497</b>	<b>58,778,899</b>
Excess (Deficiency) of Revenues over (under) Expenditures	2,962,551	3,151,267	2,205,399	3,654,494
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	5,496	-	9,080	89,427
Sale of transportation equipment	15,790	-	-	-
Sale of other property	4,920	266	-	7,274
Operating transfers in	1,530,423	301,261	652,921	931,804
Operating transfers out	(1,627,556)	(2,341,908)	(2,675,625)	(2,767,099)
<b>Total Other Financing Sources (Uses)</b>	<b>(70,927)</b>	<b>(2,040,381)</b>	<b>(2,013,624)</b>	<b>(1,738,594)</b>
<b>Net Change in Fund Balances</b>	<b>2,891,624</b>	<b>1,110,886</b>	<b>191,775</b>	<b>1,915,900</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	8,226,378	6,922,450	6,730,675	4,814,775
Prior period adjustments	-	193,042	-	-
Beginning of period, as restated	8,226,378	7,115,492	6,730,675	4,814,775
<b>End of Period</b>	<b>\$ 11,118,002</b>	<b>8,226,378</b>	<b>6,922,450</b>	<b>6,730,675</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

VICKSBURG WARREN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years  
UNAUDITED

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 27,277,915	27,297,766	25,881,342	26,410,967
State sources	33,664,873	34,360,532	38,141,324	39,228,803
Federal sources	16,723,042	14,435,493	10,301,146	10,468,336
Sixteenth section sources	1,114,289	1,214,006	799,039	843,991
<b>Total Revenues</b>	<b>78,780,119</b>	<b>77,307,797</b>	<b>75,122,851</b>	<b>76,952,097</b>
<b>Expenditures:</b>				
Instruction	40,634,851	42,441,735	41,635,543	40,976,955
Support services	29,194,311	26,419,023	23,033,151	26,558,396
Noninstructional services	3,564,146	3,655,601	7,083,117	4,301,411
Sixteenth section	114,775	21,363	49,593	47,274
Facilities acquisition and construction	2,696,310	866,812	56,868	443,792
Debt service				
Principal	1,745,000	1,535,000	1,665,326	1,694,925
Interest	488,402	477,196	808,472	1,300,385
Bond issue cost	-	244,737	-	-
<b>Total Expenditures</b>	<b>78,437,795</b>	<b>75,661,467</b>	<b>74,332,070</b>	<b>75,323,138</b>
Excess (Deficiency) of Revenues over (under) Expenditures	342,324	1,646,330	790,781	1,628,959
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	3,000,000	-	-
Insurance recovery	5,496	-	9,080	89,427
Refunding bonds issued	-	7,205,000	-	-
Payment to refunded bond escrow agent	-	(6,960,263)	-	-
Sale of transportation equipment	15,790	-	-	-
Sale of other property	4,920	266	-	7,274
Operating transfers in	3,157,979	2,643,169	3,328,546	3,698,903
Operating transfers out	(3,157,979)	(2,643,169)	(3,328,546)	(3,698,903)
<b>Total Other Financing Sources (Uses)</b>	<b>26,206</b>	<b>3,245,003</b>	<b>9,080</b>	<b>96,701</b>
<b>Net Change in Fund Balances</b>	<b>368,530</b>	<b>4,891,333</b>	<b>799,861</b>	<b>1,725,660</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	27,545,603	22,450,843	21,653,383	19,923,709
Prior period adjustments		193,042	(3,941)	-
Beginning of period, as restated	27,545,603	22,643,885	21,649,442	19,923,709
Increase in reserve for inventory	32,453	10,385	1,540	4,014
<b>End of Period</b>	<b>\$ 27,946,586</b>	<b>27,545,603</b>	<b>22,450,843</b>	<b>21,653,383</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

VICKSBURG WARREN SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

VICKSBURG WARREN SCHOOL DISTRICT

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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  
Vicksburg Warren School District:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Vicksburg Warren School District as of and for the year ended June 30, 2011, which collectively comprise the Vicksburg Warren School District's ("School District") basic financial statements and have issued our report thereon dated March 5, 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

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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

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

Superintendent and School Board  
Vicksburg Warren School District.

Compliance

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

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

In our opinion, Vicksburg Warren 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.

VICKSBURG WARREN SCHOOL DISTRICT

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

VICKSBURG WARREN SCHOOL DISTRICT

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

Superintendent and School Board  
Vicksburg Warren School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vicksburg Warren School District as of and for the year ended June 30, 2011, which collectively comprise Vicksburg School District's basic financial statements and have issued our report thereon dated March 5, 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 \$50,656 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

VICKSBURG WARREN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

VICKSBURG WARREN SCHOOL DISTRICT

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**VICKSBURG WARREN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

Section I: Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

7 Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84 389	Title I, Part A Cluster
84.392, 84.391, 84 027, 84 173	Special Education (IDEA) Cluster
84 394	State Fiscal Stabilization Fund Cluster
84.410	Education Jobs Fund
84 184	Safe & Drug-Free Schools & Communities – National Program

- |    |   |           |
|----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs | \$501,589 |
| 9. | Auditee qualified as low-risk auditee? (yes/no)                         | No        |

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

Section II Financial Statement Findings

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

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.