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WALTHALL COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2011

Charles L. Shivers, CPA  
Ridgeland, MS

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FINANCIAL AUDIT REPORT

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# CHARLES L. SHIVERS

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Walthall County School District

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

I conducted my 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 I 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, I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Walthall County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 30, 2012, on my consideration of the Walthall County School District's internal control over financial reporting and on my 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 my 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 my 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. I have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

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

*Charles L. Shivers, CPA*

Ridgeland, MS  
August 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

#### FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$887,221, including a prior period adjustment of \$11,790, which represents a 5% increase from fiscal year 2010. Total net assets for 2010 increased \$1,120,786, including a prior period adjustment of \$2,048, which represents a 6% increase from fiscal year 2009.
- General revenues amounted to \$15,551,134 and \$15,807,110, or 74% and 71% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,564,351, or 26% of total revenues for 2011, and \$6,345,903, or 29% of total revenues for 2010.
- The District had \$20,240,054 and \$21,034,275 in expenses for fiscal years 2011 and 2010; only \$5,564,351 for 2011 and \$6,345,903 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,551,134 for 2011 and \$15,807,110 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,346,557 in revenues and \$14,014,396 in expenditures for 2011, and \$14,148,787 in revenues and \$14,113,400 in expenditures in 2010. The General Fund's fund balance increased by \$194,238, including a prior period adjustment of \$1,305, from 2010 to 2011, and decreased by \$271,530, including a prior period adjustment of \$1,810, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$25,792 for 2011 and increased by \$66,611 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$383,374 for 2011 and decreased by \$337,158 for 2010. The decrease for 2011 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$14,487 for 2011 and increased by \$25,763 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.

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.
- 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 \$19,468,165 as of June 30, 2011. The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 7,128,830	\$ 8,245,766	(13.55) %
Restricted assets	4,623,008	3,028,586	52.65 %
Capital assets, net	10,628,472	10,654,264	(0.24) %
<b>Total assets</b>	<b><u>22,380,310</u></b>	<b><u>21,928,616</u></b>	<b>2.06 %</b>
Current liabilities	140,761	192,914	(27.03) %
Long-term debt outstanding	2,771,384	3,154,758	(12.15) %
<b>Total liabilities</b>	<b><u>2,912,145</u></b>	<b><u>3,347,672</u></b>	<b>(13.01) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	8,017,878	7,674,783	4.47 %
Restricted	6,549,191	4,041,029	62.07 %
Unrestricted	4,901,096	6,865,132	(28.61) %
<b>Total net assets</b>	<b><u>\$ 19,468,165</u></b>	<b><u>\$ 18,580,944</u></b>	<b>4.77 %</b>

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

- Decrease in net capital assets in the amount of \$25,792.
- The principal retirement of \$368,887 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 \$21,115,485 and \$22,153,013, respectively. The total cost of all programs and services was \$20,240,054 for 2011 and \$21,034,275 for 2010.

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

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

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 510,365	\$ 563,437	(9.42) %
Operating grants and contributions	5,053,986	5,782,466	(12.60) %
General revenues:			
Property taxes	3,311,754	3,089,805	7.18 %
Grants and contributions not restricted	11,742,155	11,854,511	(0.95) %
Investment earnings	141,922	167,897	(15.47) %
Sixteenth section sources	350,902	681,234	(48.49) %
Other	4,401	13,663	(67.79) %
<b>Total revenues</b>	<b>21,115,485</b>	<b>22,153,013</b>	<b>(4.68) %</b>
<b>Expenses:</b>			
Instruction	12,340,723	13,275,250	(7.04) %
Support services	6,242,058	6,188,502	0.87 %
Non-instructional	1,501,041	1,339,986	12.02 %
Sixteenth section	67,555	132,915	(49.17) %
Interest and other expenses on long-term liabilities	88,677	97,622	(9.16) %
<b>Total expenses</b>	<b>20,240,054</b>	<b>21,034,275</b>	<b>(3.78) %</b>
<b>Increase (Decrease) in net assets</b>	<b>875,431</b>	<b>1,118,738</b>	<b>(21.75) %</b>
<b>Net Assets, July 1, as originally reported</b>	<b>18,580,944</b>	<b>17,460,158</b>	<b>6.42 %</b>
<b>Prior Period Adjustment</b>	<b>11,790</b>	<b>2,048</b>	<b>475.68 %</b>
<b>Net Assets, July 1, as restated</b>	<b>18,592,734</b>	<b>17,462,206</b>	<b>6.47 %</b>
<b>Net Assets, June 30</b>	<b>\$ 19,468,165</b>	<b>\$ 18,580,944</b>	<b>4.77 %</b>

**Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 12,340,723	\$ 13,275,250	(7.04) %
Support services	6,242,058	6,188,502	0.87 %
Non-instructional	1,501,041	1,339,986	12.02 %
Sixteenth section	67,555	132,915	(49.17) %
Interest and other expenses on long-term liabilities	88,677	97,622	(9.16) %
<b>Total expenses</b>	<b>\$ 20,240,054</b>	<b>\$ 21,034,275</b>	<b>(3.78) %</b>

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (9,538,117)	\$ (9,905,165)	(3.71) %
Support services	(5,038,577)	(4,810,267)	4.75 %
Non-instructional	57,223	239,971	(76.15) %
Sixteenth section	(67,555)	(115,289)	(41.40) %
Interest on long-term liabilities	(88,677)	(97,622)	(9.16) %
<b>Total net (expense) revenue</b>	<b>\$ (14,675,703)</b>	<b>\$ (14,688,372)</b>	<b>(0.09) %</b>

- Net cost of governmental activities (\$14,675,703 for 2011 and \$14,688,372 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$3,311,754 for 2011 and \$3,089,805 for 2010) and state and federal revenues (\$11,742,155 for 2011 and \$11,854,511 for 2010). In addition, there was \$350,902 and \$681,234 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$141,922 for 2011 and \$167,897 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 \$11,638,676, an increase of \$526,505, which includes a prior period adjustment of \$11,790 and an increase in reserve for inventory of \$15,168. \$4,402,150, or 38%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$7,236,526, or 62%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$194,238, which includes a prior period adjustment of \$1,305. The fund balance of Other Governmental Funds showed a decrease in the amount of \$74,014, which includes a prior period adjustment of \$10,485 and an increase in reserve for inventory of \$15,168. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 202,683
Sixteenth Section Principal Fund	\$ 203,598

### 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. Significant budget revisions during the fiscal year are explained as follows:

- Budgeted amounts for instruction expenditures in the General Fund were increased during the fiscal year to reflect actual instruction expenditures incurred. Amounts originally budgeted were understated.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year to reflect actual support services expenditures incurred. Amounts originally budgeted were overstated.
- The original budget for the General Fund was revised to reflect insurance recoveries and operating transfers to and from the General Fund during the fiscal year.
- Budgeted amounts for revenue from federal sources and instruction, support services and noninstructional expenditures in the

Title I Fund were revised to more accurately reflect actual revenue received and expenditures incurred under the Title I program during the fiscal year. The original budget for the Title I Fund was also revised to reflect transfers out for indirect cost during the fiscal year.

- Budgeted amounts for revenue from federal sources and instruction and support services expenditures in the EHA Part B Fund were revised to reflect actual revenue received and expenditures incurred under the Special Education program during the fiscal year.
- Budgeted amounts for sixteenth section expenditures in the Sixteenth Section Interest Funds were decreased during the fiscal year to more accurately reflect actual expenditures incurred. Amounts originally budgeted were overstated.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$17,051,132, including land, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$420,006 from 2010 due primarily to completed improvements to the High School baseball field and the purchase of a driver's education car and various other items of furniture and equipment. Total accumulated depreciation as of June 30, 2011, was \$6,422,660, and total depreciation expense for the year was \$455,995, resulting in total net capital assets of \$10,628,472.

Table 4  
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	\$ 143,285	\$ 143,285	0.00 %
Construction in Progress	0	146,003	(100.00) %
Buildings	7,757,467	7,941,705	(2.32) %
Building improvements	827,805	871,374	(5.00) %
Improvements other than buildings	817,182	574,023	42.36 %
Mobile equipment	788,670	893,924	(11.77) %
Furniture and equipment	294,063	83,950	250.28 %
<b>Total</b>	<b>\$ 10,628,472</b>	<b>\$ 10,654,264</b>	<b>(0.24) %</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 \$2,771,384 in outstanding long-term debt, of which \$382,914 is due within one year. During the fiscal year, the District made principal payments in the amount of \$368,887 on outstanding long-term debt. The liability for compensated absences also decreased \$14,487 from the prior year.

Table 5  
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
Limited obligation bonds payable	\$ 2,525,000	\$ 2,850,000	(11.40) %
Obligations under energy efficiency leases	85,594	129,481	(33.89) %
Compensated absences payable	160,790	175,277	(8.27) %
<b>Total</b>	<b>\$ 2,771,384</b>	<b>\$ 3,154,758</b>	<b>(12.15) %</b>

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

## CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls 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 Walthall County School District, 814-A Morse Avenue, Tylertown, MS 39667.

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FINANCIAL STATEMENTS

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Walthall County School District  
Statement of Net Assets  
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,619,781
Due from other governments	1,452,588
Accrued interest receivable	5,850
Inventories	50,611
Restricted assets (Note 4)	4,623,008
Non-depreciable capital assets (Note 5)	143,285
Depreciable capital assets, net (Note 5)	10,485,187
<b>Total Assets</b>	<u><u>22,380,310</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	109,390
Unearned revenue	3,724
Interest payable on long-term liabilities	27,599
Other payables	48
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	374,874
Non-capital related liabilities	8,040
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	2,235,720
Non-capital related liabilities	152,750
<b>Total Liabilities</b>	<u><u>2,912,145</u></u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	8,017,878
Restricted net assets	
Expendable	
School-based activities	4,425,475
Debt service	312,584
Unemployment benefits	23,783
Non-expendable	
Sixteenth section	1,787,349
Unrestricted	<u>4,901,096</u>
<b>Total Net Assets</b>	<u><u>\$ 19,468,165</u></u>

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

Walthall County School District  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 12,340,723	283,581	2,519,025	(9,538,117)
Support services	6,242,058	24,129	1,179,352	(5,038,577)
Non-instructional	1,501,041	202,655	1,355,609	57,223
Sixteenth section	67,555			(67,555)
Interest and other expenses on long-term liabilities	88,677			(88,677)
Total Governmental Activities	<u>20,240,054</u>	<u>510,365</u>	<u>5,053,986</u>	<u>(14,675,703)</u>
General Revenues				
Taxes				
General purpose levies				3,311,685
Debt purpose levies				69
Unrestricted grants and contributions				
State				10,890,448
Federal				851,707
Unrestricted investment earnings				141,922
Sixteenth section sources				350,902
Other				4,401
Total General Revenues				<u>15,551,134</u>
Changes in Net Assets				<u>875,431</u>
Net Assets - Beginning, as originally reported				18,580,944
Prior Period Adjustments (Note 10)				11,790
Net Assets - Beginning -as restated				<u>18,592,734</u>
Net Assets - Ending				<u>\$ 19,468,165</u>

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

Walthall County School District  
Balance Sheet - Governmental Funds  
June 30, 2011

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Assets</b>							
Cash and cash equivalents (Note 2)	\$ 3,237,742			2,382,039	1,395,527	1,959,479	8,974,787
Cash with fiscal agent (Note 2)					41,135		41,135
Investments (Note 2)	187,558	281,031	475,777		1,153,661	73,206	1,226,867
Due from other governments					5,850	506,822	1,451,188
Accrued interest receivable						209	5,850
Due from other funds (Note 3)	1,041,018					50,611	1,041,227
Inventories							50,611
<b>Total Assets</b>	<b>4,466,318</b>	<b>281,031</b>	<b>475,777</b>	<b>2,382,039</b>	<b>2,596,173</b>	<b>2,590,327</b>	<b>12,791,665</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable & accrued liabilities	63,911	5,499	19,666	200		20,114	109,390
Due to other funds (Note 3)	257	275,532	456,111			307,975	1,039,875
Unearned revenue						3,724	3,724
<b>Total Liabilities</b>	<b>64,168</b>	<b>281,031</b>	<b>475,777</b>	<b>200</b>	<b>0</b>	<b>331,813</b>	<b>1,152,989</b>
<b>Fund Balances</b>							
Nonspendable						50,611	50,611
Inventory					1,787,349		1,787,349
Permanent fund principal							
Restricted							
Debt service						340,183	340,183
Unemployment benefits						23,783	23,783
Grant activities						1,184,201	1,184,201
Assigned						659,736	659,736
Improvement of facilities				2,381,839	808,824		3,190,663
Other purposes							4,402,150
Unassigned	4,402,150						
<b>Total Fund Balances</b>	<b>4,402,150</b>	<b>0</b>	<b>0</b>	<b>2,381,839</b>	<b>2,596,173</b>	<b>2,258,514</b>	<b>11,638,676</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,466,318</b>	<b>281,031</b>	<b>475,777</b>	<b>2,382,039</b>	<b>2,596,173</b>	<b>2,590,327</b>	<b>12,791,665</b>

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

Waltham County School District  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2011

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 11,638,676
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$6,422,660.	\$ 10,628,472
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	\$ (2,771,384)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	\$ (27,599)
Total Net Assets - Governmental Activities	<u>\$ 19,468,165</u>

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

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

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund	16th Section: Interest Fund	16th Section Principal Fund	
<b>Revenues</b>						
Local sources	\$ 3,651,511					3,860,377
State sources	10,565,041					11,477,664
Federal sources	128,355	1,378,693	646,724			5,318,477
Sixteenth section sources	1,650			212,193	203,598	434,838
<b>Total Revenues</b>	<u>14,346,557</u>	<u>1,378,693</u>	<u>646,724</u>	<u>212,193</u>	<u>203,598</u>	<u>21,091,356</u>
<b>Expenditures</b>						
Instruction	8,995,400	820,393	486,315			12,089,141
Support services	4,829,345	316,232	160,409			6,176,061
Noninstructional services	9,307	22,918				1,688,939
Sixteenth section				9,510		67,555
Facilities acquisition and construction	133,544					133,544
Debt service						
Principal (Note 6)	43,887					368,887
Interest	2,913					90,811
Other						1,000
<b>Total Expenditures</b>	<u>14,014,396</u>	<u>1,159,543</u>	<u>646,724</u>	<u>9,510</u>	<u>0</u>	<u>20,615,938</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>332,161</u>	<u>219,150</u>	<u>0</u>	<u>202,683</u>	<u>203,598</u>	<u>475,418</u>
<b>Other Financing Sources (Uses)</b>						
Insurances loss recoveries	24,129					24,129
Operating transfers in (Note 3)	33,257					437,249
Operating transfers out (Note 3)	(196,614)	(219,150)				(437,249)
<b>Total Other Financing Sources (Uses)</b>	<u>(139,228)</u>	<u>(219,150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,129</u>
<b>Net Change in Fund Balances</b>	<u>192,933</u>	<u>0</u>	<u>0</u>	<u>202,683</u>	<u>203,598</u>	<u>499,547</u>
<b>Fund Balances</b>						
July 1, 2010, as originally reported	4,207,912	0	0	2,179,156	2,392,575	11,112,171
Prior period adjustments (Note 10)	1,305					11,790
July 1, 2010, as restated	<u>4,209,217</u>	<u>0</u>	<u>0</u>	<u>2,179,156</u>	<u>2,392,575</u>	<u>11,123,961</u>
Increase in reserve for inventory						15,168
June 30, 2011	<u>\$ 4,402,150</u>	<u>0</u>	<u>0</u>	<u>2,381,839</u>	<u>2,596,173</u>	<u>11,638,676</u>

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 499,547
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$430,306 and the depreciation expense amounted to \$455,995.	(25,689)
The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	368,887
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	3,134
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	(103)
An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	15,168
Expenses for compensated absences reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>14,487</u>
Changes in Net Assets of Governmental Activities	<u>\$ 875,431</u>

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

Walthall County School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 849,868
Due from other funds (Note 3)	<u>48</u>
Total Assets	<u><u>849,916</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	822,001
Due to other funds (Note 3)	1,400
Due to student clubs	<u>26,515</u>
Total Liabilities	<u><u>\$ 849,916</u></u>

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

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Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**B. Financial Reporting Entity**

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

For financial reporting purposes, the 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.

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This special revenue fund accounts for Federal funds that are used to assist with enhancing the education of at risk students.

EHA Part B Fund - This special revenue fund accounts for Federal funds that are also used to assist with enhancing the education of students with disabilities.

16<sup>th</sup> Section Interest Fund - This fund is used to account for the expendable financial resources generated from the use of sixteenth section trust lands. Available funds may be transferred to the General Fund or Construction Funds and be used for appropriate purposes.

16<sup>th</sup> Section Principal Fund - This permanent fund is used to account for the sale of non-renewable resources generated from the sixteenth section trust lands.

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

The District’s fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

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.

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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

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

**E. Encumbrances**

An encumbrance system is 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.

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

7. Compensated Absences

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

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

8. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as 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. Currently there are 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 or Business Manager pursuant to authorization established by the School Board.

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

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

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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.

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,974,787 and \$849,868 respectively.

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

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$41,135.

**Investments**

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

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	1 to 5	\$ 854,208
Federal Home Loan Mortgage	AAA	6 to 10	294,317
GNMA Pool	AAA	More than 10	5,136
Federated US Treasury Reserve	AAA	Less than 1	73,206
<b>Total</b>			<b>\$ 1,226,867</b>

*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. As of June 30, 2011, the district did not have any investments to which this would apply.

*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:

Issuer	Fair Value	% of Total Investments
USB Financial - Certificates of Deposit	\$ 854,208	69.6%

**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**

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - EHA Part B Fund	\$ 456,111
	Major fund - Title I Fund	275,532
	Other governmental funds	307,975
	Fiduciary Funds	1,400
Other governmental funds	General Fund	209
Fiduciary funds	General Fund	48
<b>Total</b>		<b>\$ 1,041,275</b>

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

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 196,614
Major fund - Title I Fund	Other governmental funds	195,504
Major fund - Title I Fund	General Fund	23,646
Other governmental funds	General Fund	9,611
Other governmental funds	Other governmental funds	11,874
Total		<u>\$ 437,249</u>

The transfer out of the General Fund was to finance programs within the Other Governmental Funds. The transfers to the General Fund were for indirect cost. The transfers from the Other Governmental Funds and the Major Fund – Title I Fund were to finance the Consolidated Administrative Cost Pool.

**Note 4 – Restricted Assets**

The restricted assets represent the cash, cash with fiscal agent and investment balances, totaling \$3,355,006, \$41,135 and \$1,226,867, respectively of various funds whose resources are legally restricted and may not be used for purposes that support the district's programs. Examples include the 16<sup>th</sup> Section Principal Fund, Debt Service Funds and other state and federally funded programs of the district.

**Note 5 – Capital Assets**

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Balance 6/30/2011
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 143,285				143,285
Construction in progress	146,003	133,544		(279,547)	-
Total non-depreciable capital assets	<u>289,288</u>	<u>133,544</u>	<u>0</u>	<u>(279,547)</u>	<u>143,285</u>
<u>Depreciable capital assets:</u>					
Buildings	11,301,587				11,301,587
Building improvements	1,089,218				1,089,218
Improvements other than buildings	630,152			279,547	909,699
Mobile equipment	2,549,041	13,800			2,562,841
Furniture and equipment	771,840	282,962	(10,300)		1,044,502
Total depreciable capital assets	<u>16,341,838</u>	<u>296,762</u>	<u>(10,300)</u>	<u>279,547</u>	<u>16,907,847</u>
<u>Less accumulated depreciation for:</u>					
Buildings	3,359,882	184,238			3,544,120
Building improvements	217,844	43,569			261,413
Improvements other than buildings	56,129	36,388			92,517
Mobile equipment	1,655,117	119,054			1,774,171
Furniture and equipment	687,890	72,746	(10,197)		750,439
Total accumulated depreciation	<u>5,976,862</u>	<u>455,995</u>	<u>(10,197)</u>	<u>0</u>	<u>6,422,660</u>
Total depreciable capital assets, net	<u>10,364,976</u>	<u>(159,233)</u>	<u>(103)</u>	<u>279,547</u>	<u>10,485,187</u>
Governmental activities capital assets, net	<u>\$ 10,654,264</u>	<u>(25,689)</u>	<u>(103)</u>	<u>0</u>	<u>10,628,472</u>

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 294,417
Support services	127,653
Non-instructional	33,925
Total depreciation expense - Governmental activities	\$ 455,995

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 2,850,000		325,000	2,525,000	330,000
B. Obligations under energy efficiency leases	129,481		43,887	85,594	44,874
C. Compensated absences payable	175,277		14,487	160,790	8,040
Total	\$ 3,154,758	\$ 0	\$ 383,374	\$ 2,771,384	\$ 382,914

**A. Limited obligation refunding bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, series 2008	2.4-3.75	12/30/2008	3/1/2018	\$ 3,215,000	\$ 2,525,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 330,000	\$ 79,773	\$ 409,773
2013	340,000	71,357	411,357
2014	345,000	62,007	407,007
2015	360,000	51,658	411,658
2016	370,000	40,497	410,497
2017 – 2021	780,000	43,100	823,100
Total	\$ 2,525,000	\$ 348,392	\$ 2,873,392

This debt will be retired from the MAEP Debt Retirement Fund.

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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.

**B. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under energy efficiency lease	2.25	2/1/2005	2/1/2013	\$ <u>300,000</u>	\$ <u>85,594</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 44,874	\$ 1,926	\$ 46,800
2013	<u>40,720</u>	<u>916</u>	<u>41,636</u>
Total	<u>\$ 85,594</u>	<u>\$ 2,842</u>	<u>\$ 88,436</u>

This debt will be retired from the General Fund.

An energy efficiency lease agreement dated January 15, 2005, was executed by and between the district, the lessee, and the Mississippi Development Authority, the lessor.

The agreement authorized the borrowing of \$300,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

**C. Compensated absences payable**

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

**Note 7 – Other Commitments**

The school district has an operating lease for postage meters.

Lease expenditures for the year ended June 30, 2011, amounted to \$816. Future lease payments for this lease are as follows:

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Year Ending June 30	Amount
2012	\$ 816
2013	816
Total	<u>\$ 1,632</u>

**Note 8 – 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 \$1,269,182, \$1,299,207 and \$1,295,575, respectively, which equaled the required contributions for each year.

**Note 9 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2012	\$ 62,732
2013	60,297
2014	55,046
2015	55,046
2016	55,046
2017 – 2021	275,230
2022 – 2026	275,230
2027 – 2031	269,956
2032 – 2036	210,641
Thereafter	17,184
Total	<u>\$ 1,336,408</u>

**Note 10 – Prior Period Adjustments**

A summary of significant fund balance adjustments is as follows:

Walthall County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2011

Exhibit B - Statement of Activities

Explanation	Amount
Restatement of a prior year asset	\$ 11,790

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

Fund	Explanation	Amount
General Fund	Restatement of a prior year asset	\$ 1,305
Food service fund	Restatement of a prior year asset	(74)
Safe and drug free fund	Restatement of a prior year asset	10,559
Total		\$ 11,790

**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.

**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 - 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 School District evaluated the activity of the district and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

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Walthall County School District  
 Budgetary Comparison Schedule for the 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	\$ 3,666,122	3,651,511	3,651,511	(14,611)	0
State sources	10,451,787	10,565,041	10,565,041	113,254	0
Federal sources	136,770	128,355	128,355	(8,415)	0
Sixteenth section sources	0	1,650	1,650	1,650	0
<b>Total Revenues</b>	<b>14,254,679</b>	<b>14,346,557</b>	<b>14,346,557</b>	<b>91,878</b>	<b>0</b>
<b>Expenditures</b>					
Instruction	8,697,608	8,995,400	8,995,400	(297,792)	0
Support services	5,427,571	4,829,345	4,829,345	598,226	0
Noninstructional services	6,500	9,307	9,307	(2,807)	0
Facilities acquisition and construction	7,500	133,544	133,544	(126,044)	0
Debt service					
Principal	0	0	43,887	0	(43,887)
Interest	0	0	2,913	0	(2,913)
<b>Total Expenditures</b>	<b>14,139,179</b>	<b>13,967,596</b>	<b>14,014,396</b>	<b>171,583</b>	<b>(46,800)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>115,500</b>	<b>378,961</b>	<b>332,161</b>	<b>263,461</b>	<b>(46,800)</b>
<b>Other Financing Sources (Uses)</b>					
Insurance loss recoveries	0	24,129	24,129	24,129	0
Operating transfers in	0	1,319,586	33,257	1,319,586	(1,286,329)
Operating transfers out	0	1,482,943	(196,614)	1,482,943	(1,679,557)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>2,826,658</b>	<b>(139,228)</b>	<b>2,826,658</b>	<b>(2,965,886)</b>
<b>Net Change in Fund Balances</b>			<b>192,933</b>		
<b>Fund Balances</b>					
July 1, 2010, as originally reported			4,207,912		
Prior period adjustments			1,305		
July 1, 2010, as restated			<u>4,209,217</u>		
June 30, 2011			<u>\$ 4,402,150</u>		

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

Walthall County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Federal sources	\$ 1,110,489	1,477,894	1,378,693	367,405	(99,201)
<b>Total Revenues</b>	<u>1,110,489</u>	<u>1,477,894</u>	<u>1,378,693</u>	<u>367,405</u>	<u>(99,201)</u>
<b>Expenditures</b>					
Instruction	928,921	960,372	820,393	(31,451)	139,979
Support services	161,966	297,236	316,232	(135,270)	(18,996)
Noninstructional services	3,222	13,279	22,918	(10,057)	(9,639)
<b>Total Expenditures</b>	<u>1,094,109</u>	<u>1,270,887</u>	<u>1,159,543</u>	<u>(176,778)</u>	<u>111,344</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>16,380</u>	<u>207,007</u>	<u>219,150</u>	<u>190,627</u>	<u>12,143</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers out	0	207,007	(219,150)	(207,007)	(426,157)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>207,007</u>	<u>(219,150)</u>	<u>(207,007)</u>	<u>(426,157)</u>
<b>Net Change in Fund Balances</b>			<u>0</u>		
<b>Fund Balances</b>					
July 1, 2010			<u>0</u>		
June 30, 2011			<u>\$ 0</u>		

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

Walthall County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 661,704	646,724	646,724	(14,980)	0
Total Revenues	<u>661,704</u>	<u>646,724</u>	<u>646,724</u>	<u>(14,980)</u>	<u>0</u>
Expenditures					
Instruction	394,840	486,315	486,315	(91,475)	0
Support services	266,864	160,409	160,409	106,455	0
Total Expenditures	<u>661,704</u>	<u>646,724</u>	<u>646,724</u>	<u>14,980</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2010			<u>0</u>		
June 30, 2011			<u>\$ 0</u>		

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

Waltham County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - 16th Section Interest Fund  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 40,000	0	0	(40,000)	0
Sixteenth section sources	167,000	212,193	212,193	45,193	0
<b>Total Revenues</b>	<u>207,000</u>	<u>212,193</u>	<u>212,193</u>	<u>5,193</u>	<u>0</u>
<b>Expenditures</b>					
Sixteenth section	207,000	9,510	9,510	197,490	0
<b>Total Expenditures</b>	<u>207,000</u>	<u>9,510</u>	<u>9,510</u>	<u>197,490</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>202,683</u>	<u>202,683</u>	<u>202,683</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>202,683</u>		
<b>Fund Balances</b>					
July 1, 2010			<u>2,179,156</u>		
June 30, 2011			<u>\$ 2,381,839</u>		

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

Walthall County School District  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

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SUPPLEMENTAL INFORMATION

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Walthall County School District  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 537,153
National school lunch program	10.555	1,190,503
Summer food service program for children	10.559	<u>12,277</u>
Total child nutrition cluster		<u>1,739,933</u>
Total U.S. Department of Agriculture		<u>1,739,933</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	<u>127,173</u>
Total Federal Communications Commission		<u>127,173</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	37,505
Safe and drug-free schools and communities - state grants	84.186	6,713
Rural education	84.358	29,703
Improving teacher quality - state grants	84.367	<u>361,182</u>
Total		<u>435,103</u>
Education technology state grants cluster:		
Education technology - state grants	84.318	14,559
ARRA - education technology - state grants, recovery act	84.386	<u>29,949</u>
Total education technology state grants cluster		<u>44,508</u>
State fiscal stabilization cluster:		
ARRA - State fiscal stabilization fund - education state grants, recovery act	84.394	<u>723,351</u>
Total state fiscal stabilization cluster		<u>723,351</u>
Title I cluster:		
Title I - grants to local educational agencies	84.010	1,385,159
ARRA - Title I - grants to local educational agencies, recovery act	84.389	<u>191,723</u>
Total title I cluster		<u>1,576,882</u>
Special education cluster:		
Special education - grants to states	84.027	646,724
Special education - preschool grants	84.173	81,879
ARRA - Special education - grants to states, recovery act	84.391	273,956
ARRA - Special education - preschool grants, recovery act	84.392	<u>37,898</u>
Total special education cluster		<u>1,040,457</u>
Total passed-through Mississippi Department of Education		<u>3,820,301</u>
Total for All Federal Awards		<u>\$ 5,687,407</u>

Walthall County School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 14,826,286	\$ 11,547,201	\$ 720,768	\$ 950,221	\$ 1,608,096
Other	\$ 5,789,652	\$ 1,969,219	\$ 229,199	\$ 113,089	\$ 3,478,145
Total	<u>\$ 20,615,938</u>	<u>\$ 13,516,420</u>	<u>\$ 949,967</u>	<u>\$ 1,063,310</u>	<u>\$ 5,086,241</u>
Total number of students	<u>2,407</u>				
Cost per student	<u>\$ 8,565</u>	<u>\$ 5,615</u>	<u>\$ 395</u>	<u>\$ 442</u>	<u>\$ 2,113</u>

Notes to the schedule.

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

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

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

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

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

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OTHER SUPPLEMENTAL INFORMATION

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Walthall County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
<b>Revenues</b>				
Local sources	\$ 3,651,511	3,503,816	3,778,801	3,695,836
State sources	10,565,041	10,504,734	11,753,856	12,074,747
Federal sources	128,355	140,237	40,902	108,589
Sixteenth section sources	1,650	0	0	240
<b>Total Revenues</b>	<u>14,346,557</u>	<u>14,148,787</u>	<u>15,573,559</u>	<u>15,879,412</u>
<b>Expenditures</b>				
Instruction	8,995,400	9,111,118	9,537,696	9,328,273
Support services	4,829,345	4,687,701	4,588,565	4,971,962
Noninstructional services	9,307	11,755	9,716	10,446
Facilities acquisition and construction	133,544	256,026	1,888,065	796,697
Debt service				
Principal	43,887	42,921	41,976	85,622
Interest	2,913	3,879	4,823	7,978
<b>Total Expenditures</b>	<u>14,014,396</u>	<u>14,113,400</u>	<u>16,070,841</u>	<u>15,200,978</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>332,161</u>	<u>35,387</u>	<u>(497,282)</u>	<u>678,434</u>
<b>Other Financing Sources (Uses)</b>				
Insurances loss recoveries	24,129	6,278	82,182	5,742
Sale of transportation equipment	0	1,388	0	0
Sale of other property	0	452	60	551
Operating transfers in	33,257	22,170	11,128	12,792
Other financing sources	0	1,238	0	0
Operating transfers out	(196,614)	(340,253)	(927,874)	(910,890)
Other financing uses	0	0	0	(1,347)
<b>Total Other Financing Sources (Uses)</b>	<u>(139,228)</u>	<u>(308,727)</u>	<u>(834,504)</u>	<u>(893,152)</u>
<b>Net Change in Fund Balances</b>	<u>192,933</u>	<u>(273,340)</u>	<u>(1,331,786)</u>	<u>(214,718)</u>
<b>Fund Balances</b>				
July 1, as originally reported	4,207,912	4,479,442	5,811,228	5,931,814
Prior period adjustments	1,305	1,810	0	94,132
July 1, as restated	<u>4,209,217</u>	<u>4,481,252</u>	<u>5,811,228</u>	<u>6,025,946</u>
June 30	<u>\$ 4,402,150</u>	<u>4,207,912</u>	<u>4,479,442</u>	<u>5,811,228</u>

\* Source - Prior year audit reports.

Walthall County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

	UNAUDITED			
	2011	2010*	2009*	2008*
<b>Revenues</b>				
Local sources	\$ 3,860,377	3,737,408	4,090,570	4,093,929
State sources	11,477,664	11,355,492	12,693,052	13,033,526
Federal sources	5,318,477	6,281,485	3,652,083	4,132,742
Sixteenth section sources	434,838	771,112	980,178	851,472
<b>Total Revenues</b>	<b>21,091,356</b>	<b>22,145,497</b>	<b>21,415,883</b>	<b>22,111,669</b>
<b>Expenditures</b>				
Instruction	12,089,141	12,998,258	12,242,549	12,500,287
Support services	6,176,061	6,258,244	5,644,056	6,019,642
Noninstructional services	1,688,939	1,331,666	1,378,319	1,308,215
Sixteenth section	67,555	132,915	261,393	56,202
Facilities acquisition and construction	133,544	256,026	1,888,065	796,697
Debt service				
Principal	368,887	362,921	356,976	600,622
Interest	90,811	99,616	96,018	184,417
Other	1,000	1,035	6,654	758
<b>Total Expenditures</b>	<b>20,615,938</b>	<b>21,440,681</b>	<b>21,874,030</b>	<b>21,466,840</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>475,418</b>	<b>704,816</b>	<b>(458,147)</b>	<b>644,829</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of general obligation bonds	0	0	3,215,000	0
Insurances loss recoveries	24,129	6,278	82,182	5,742
Sale of transportation equipment	0	1,388	0	0
Sale of other property	0	452	60	551
Operating transfers in	437,249	547,056	1,113,624	1,109,233
Other financing sources	0	1,238	0	0
Operating transfers out	(437,249)	(547,056)	(1,113,624)	(1,109,233)
Payment to refunded bond escrow agent	0	0	(3,128,850)	0
Other financing uses	0	0	0	(1,478)
<b>Total Other Financing Sources (Uses)</b>	<b>24,129</b>	<b>9,356</b>	<b>168,392</b>	<b>4,815</b>
<b>Net Change in Fund Balances</b>	<b>499,547</b>	<b>714,172</b>	<b>(289,755)</b>	<b>649,644</b>
<b>Fund Balances</b>				
July 1, as originally reported	11,112,171	10,398,183	10,685,125	10,045,632
Prior period adjustments	11,790	2,048	0	(141)
July 1, as restated	<u>11,123,961</u>	<u>10,400,231</u>	<u>10,685,125</u>	<u>10,045,491</u>
Increase (Decrease) in reserve for inventory	15,168	(2,232)	2,813	(10,010)
June 30	<u>\$ 11,638,676</u>	<u>11,112,171</u>	<u>10,398,183</u>	<u>10,685,125</u>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# CHARLES L. SHIVERS

*Certified Public Accountant*

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board  
Walthall County School District

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

### Internal Control Over Financial Reporting

Management of the school district is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a significant deficiency in internal control over financial reporting. [Finding 2011-01]. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

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

However, I noted immaterial noncompliance or other matters that I have reported to management in a separate letter dated August 30, 2012, which is included in this report.

The school district's response to the findings identified in my audit is described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's response and, accordingly, I express no opinion on it.

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

*Charles L. Shivers, CPA*

Ridgeland, MS  
August 30, 2012

# CHARLES L. SHIVERS

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

Superintendent and School Board  
Walthall County School District

### Compliance

I have audited the compliance of the Walthall County 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 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

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

### Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, I identified a certain deficiency in internal control over compliance that I consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The school district's response to the findings identified in my audit is described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's response and, accordingly, I express no opinion on it.

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

*Charles L. Shivers, CPA*

Ridgeland, MS  
August 30, 2012

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

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# CHARLES L. SHIVERS

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

Superintendent and School Board  
Walthall County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued my report thereon dated August 30, 2012. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 \$165,039 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation and your response are as follows:

**CONDITION:** Certain goods were acquired by the district and were identified as a single source item. Upon review of the board minutes, it was noted that the purchase was not documented by the school board as being a single source item.

**CRITERIA:** Single source items must be approved by the school board and documented in the board minutes as required by Section 31-7-13, Miss. Code of 1972.

**CAUSE OF CONDITION:** The cause of the condition is an oversight by management in presenting items to the school board that requires their attention.

**EFFECT OF CONDITION:** The effect of the condition results in noncompliance with the state purchase laws.

**RECOMMENDATION:** It is recommended that the school approve all single source purchases and document such action in the board minutes.

DISTRICT RESPONSE: The Walthall County School District will adhere to all State Laws and Recommendations, including that of having the local board directly approve all single source items.

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

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

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

*Charles L. Shivers, CPA*

Ridgeland, MS  
August 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Walthall County School District  
 Schedule of Findings and Questioned Costs  
 June 30, 2011

Section I: Summary of Auditor's Results

**Financial Statements:**

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the basic financial statements:                      | Unqualified |
| 2. | Noncompliance material to the basic financial statements noted?                         | No          |
| 3. | Internal control over financial reporting:  |             |
|    | a. Material weaknesses identified?  | No          |
|    | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes         |

**Federal Awards:**

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
|     | a. Material weaknesses identified?   | No          |
|     | b. Significant deficiency identified that are not considered to be material weaknesses?  | Yes         |
| 6.  | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   | Yes         |
| 7.  | Federal program identified as major program:   |             |
|     | a. Child nutrition cluster   |             |
|     | CFDA #: 10.553   |             |
|     | CFDA #: 10.555   |             |
|     | CFDA #: 10.559   |             |
|     | b. Improving teacher quality   |             |
|     | CFDA #: 84.367   |             |
|     | c. Title I grants to local educational agencies cluster  |             |
|     | CFDA #: 84.010   |             |
|     | CFDA #: 84.389   |             |
|     | d. Special education cluster   |             |
|     | CFDA #: 84.027   |             |
|     | CFDA #: 84.173   |             |
|     | CFDA #: 84.391   |             |
|     | CFDA #: 84.392   |             |
|     | e. State fiscal stabilization fund - education state grants, recovery act  |             |
|     | CFDA #: 84.394   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No          |

Section II: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Walthall County School District  
Schedule of Findings and Questioned Costs  
June 30, 2011

**Finding 2011-01.**

**CONDITION:** For one of the schools tested, the cafeteria manager is not signing-off on the daily cash collection / reconciliation sheet.

**CRITERIA:** The district's procedures require the cafeteria manager to review and approve the daily cash collection / reconciliation sheet compiled by the cafeteria cashier.

**CAUSE OF CONDITION:** The cause of the conditions is a failure by the cafeteria manager to follow procedures of the district.

**EFFECT OF CONDITION:** The effect of this condition could result in errors occurring and not being detected in a timely manner.

**RECOMMENDATION:** It is recommended that the cafeteria manager review and approve (sign-off on) the daily cash collection / reconciliation sheets.

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses.

**Finding 2011-02.**

**CONDITION:** Indirect cost transfers from the Title I Basic Fund and the Title I ARRA Fund exceeded the maximum amount allowed. Title I Part A Basic exceeded the limitation by \$5,448 and the Title I ARRA exceeded the limitation by \$1,050.

**CRITERIA:** Indirect cost transfers are limited to the indirect cost rate multiplied by total expenditure of the program for the fiscal year (less any expenditure for equipment).

**EFFECT:** The effect of the condition could result in unallowed or questioned cost to the program.

**CAUSE OF CONDITION:** The cause of the condition was the result of mistakes made in the calculation of indirect cost.

**PREVALENCE OF FINDING:** This matter is considered an isolated incident.

**RECOMMENDATION:** It is recommended that indirect cost be correctly calculated for each program.

AUDITEE'S CORRECTIVE ACTION PLAN

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## Walthall County School District

814 Morse Avenue  
Tylertown, MS 39667

Danny McCallum  
Superintendent of Education

Phone: (601) 876-3401  
FAX: (601) 876-6982

August 22, 2012

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

### Finding 2011-01

#### Corrective Action Plan

- a. Contact person responsible for corrective action: Mrs. Vickie Davis, Food Service Director (601) 876-6394
- b. Description of correction action to be taken: The cafeteria managers will document the review and approve the daily cash reports prepared by the cashier.
- c. Anticipated completion date of corrective action: July 2012

### Finding 2011-02

#### Corrective Action Plan

- a. Contact person responsible for corrective action: Mrs. Staci Reagan, Business Administrator (601) 876-5650
- b. Description of correction action to be taken: A more thorough procedure in determining the indirect cost rate will be applied to prevent mistakes in calculations. The Business Administrator, along with the Federal Programs Director will both approve the calculation for indirect cost.
- c. Anticipated completion date of corrective action: July 2012

Sincerely,

  
Mt. Danny McCallum  
Superintendent of Education

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