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Wilkinson County School District

Audited Financial Statements
June 30, 2011

Fortenberry & Ballard, PC
Certified Public Accountants

**Wilkinson County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wilkinson County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2012, on our consideration of the Wilkinson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 1, 2012

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

The following discussion and analysis of Wilkinson 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 \$963,361, including a prior period adjustment of \$28,765, which represents a 10% increase from fiscal year 2010. Total net assets for 2010 increased \$316,781, including a prior period adjustment of \$3,625, which represents a 3% increase from fiscal year 2009.
- General revenues amounted to \$9,461,400 and \$9,301,890, or 67% and 69% 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 \$4,733,075, or 33% of total revenues for 2011, and \$4,097,463, or 31% of total revenues for 2010.
- The District had \$13,259,879 and \$13,086,197 in expenses for fiscal years 2011 and 2010; only \$4,733,075 for 2011 and \$4,097,463 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,461,400 for 2011 and \$9,301,890 for 2010 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$7,875,066 in revenues and \$7,596,160 in expenditures for 2011, and \$7,529,507 in revenues and \$7,898,595 in expenditures for 2010. The General Fund's fund balance increased by \$204,525 from 2010 to 2011, and increased by \$69,724, including a prior period adjustment of \$4,000, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$393,720 for 2011 and decreased by \$279,192 for 2010. The increase for 2011 was due primarily to the addition of building improvements, improvements other than buildings, mobile equipment and various items of furniture and equipment along with ongoing construction in progress at fiscal year end.
- Long-term debt increased by \$1,745,000 for 2011 and decreased by \$190,000 for 2010. This increase for 2011 was due primarily to the issuance of qualified school construction bonds during the fiscal year. In addition, the liability for compensated absences decreased by \$8,203 in 2011 and increased by \$13,069 in 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.

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$11,036,402 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.

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 5,415,493	5,061,778	7%
Restricted assets	4,041,146	2,167,607	86%
Capital assets, net	6,964,945	6,571,225	6%
Total assets	<u>16,421,584</u>	<u>13,800,610</u>	19%
Current liabilities	118,948	198,132	(40)%
Long-term debt outstanding	5,266,234	3,529,437	49%
Total liabilities	<u>5,385,182</u>	<u>3,727,569</u>	44%
Net assets:			
Invested in capital assets, net of related debt	3,464,129	3,146,225	10%
Restricted	7,046,050	6,626,815	6%
Unrestricted	526,223	300,001	75%
Total net assets	<u>\$ 11,036,402</u>	<u>10,073,041</u>	10%

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

- Increase in net capital assets in the amount of \$393,720.
- The principal retirement of \$255,000 of long-term debt.
- Proceeds from the issuance of qualified school construction bonds in the amount of \$2,000,000.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$14,194,475 and \$13,399,353, respectively. The total cost of all programs and services was \$13,259,879 for 2011 and \$13,086,197 for 2010.

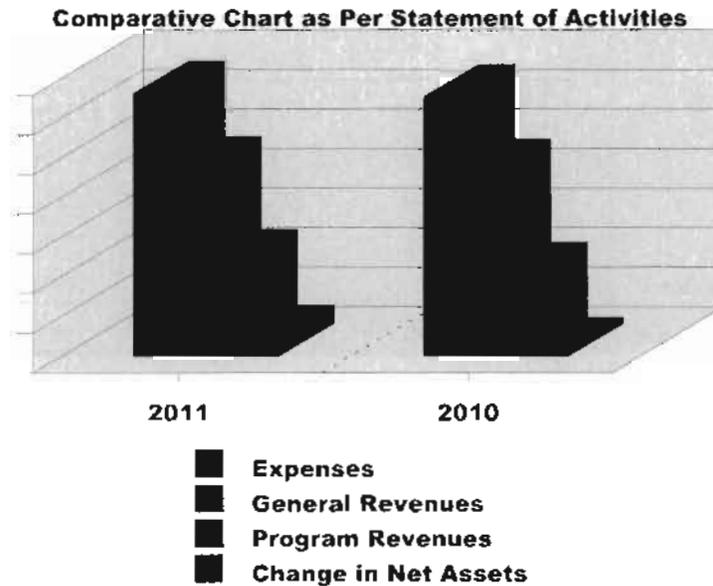
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 363,980	351,086	4%
Operating grants and contributions	4,369,095	3,746,377	17%
Total program revenues	<u>4,733,075</u>	<u>4,097,463</u>	16%
General revenues:			
Property taxes	1,943,480	1,760,708	10%
Grants and contributions not restricted	6,555,389	6,639,562	(1)%
Unrestricted investment earnings	115,514	89,609	29%
Sixteenth section sources	799,514	799,837	0%
Other	47,503	12,174	290%
Total general revenues	<u>9,461,400</u>	<u>9,301,890</u>	2%
Total revenues	<u>14,194,475</u>	<u>13,399,353</u>	6%
Expenses:			
Instruction	7,236,455	7,316,883	(1)%
Support services	4,895,618	4,633,332	6%
Non-instructional	1,018,107	1,025,935	(1)%
Sixteenth section	46,662	40,079	16%
Interest on long-term debt	63,037	69,968	(10)%
Total expenses	<u>13,259,879</u>	<u>13,086,197</u>	1%
Increase (Decrease) in net assets	<u>934,596</u>	<u>313,156</u>	198%
Net Assets, July 1, as originally reported	10,073,041	9,756,260	3%
Prior Period Adjustment	<u>28,765</u>	<u>3,625</u>	694%
Net Assets, July 1, as restated	<u>10,101,806</u>	<u>9,759,885</u>	4%
Net Assets, June 30	<u>\$ 11,036,402</u>	<u>10,073,041</u>	10%

Wilkinson County School District
Management's Discussion and Analysis
 June 30, 2011



Governmental activities

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

Table 3
Net Cost of Governmental Activities

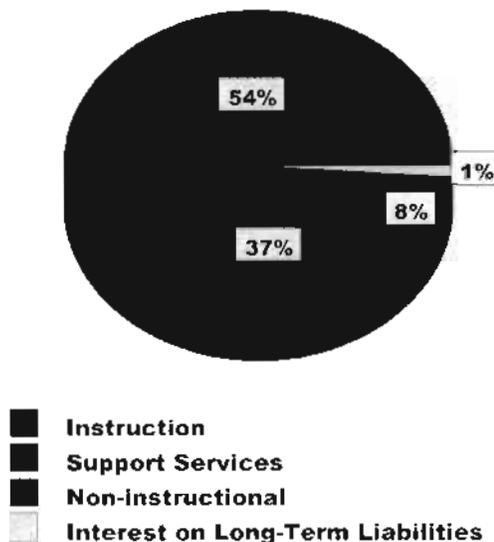
	<u>Total Expenses</u>		<u>Percentage Change</u>
	2011	2010	
Instruction	\$ 7,236,455	7,316,883	(1)%
Support services	4,895,618	4,633,332	6%
Non-instructional	1,018,107	1,025,935	(1)%
Sixteenth section	46,662	40,079	16%
Interest on long-term liabilities	63,037	69,968	(10)%
Total expenses	\$ 13,259,879	13,086,197	1%

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Net (Expense) Revenue

	2011	2010	Percentage Change
Instruction	\$ (5,078,918)	(5,678,613)	(11)%
Support services	(3,393,612)	(3,264,239)	4%
Non-instructional	(31,533)	(23,597)	34%
Sixteenth section	40,296	47,683	(15)%
Interest on long-term liabilities	(63,037)	(69,968)	(10)%
Total net (expense) revenue	\$ (8,526,804)	(8,988,734)	(5)%

Chart of Expenses as Per Statement of Activities



- Net cost of governmental activities (\$8,526,804 for 2011 and \$8,988,734 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$1,943,480 for 2011 and \$1,760,708 for 2010) and state and federal revenues (\$6,555,389 for 2011 and \$6,639,562 for 2010). In addition, there was \$799,514 and \$799,837 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$115,514 for 2011 and \$89,609 for 2010.

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$9,341,198, an increase of \$2,285,192, which includes a decrease in reserve for inventory of \$3,759. \$575,313, or 6% 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 \$8,765,885 or 94% 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 \$204,525. The fund balance of Other Governmental Funds showed an increase in the amount of \$251,702, which includes a decrease in reserve for inventory of \$3,759, due primarily to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Low Grant Fund	\$ (2,000)
ARRA Title I Low Grant Fund	no increase or decrease
Sixteenth Section Interest Fund	159,976
QSCB Construction Fund	1,669,184
Sixteenth Section Principal Fund	1,805

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget.

- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately \$358,000 in Budget Stabilization funds that were reported in a special revenue fund. The

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

budget was also revised to reflect the actual federal revenue received and expenditures reported in the Budget Stabilization Fund.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$12,429,319, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$722,146 from 2010. During the fiscal year, the District completed various building improvements, improvements other than buildings and purchased several items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2011, was \$5,464,374, and total depreciation expense for the year was \$379,072, resulting in total net capital assets of \$6,964,945.

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 113,365	113,365	0%
Construction in progress	138,279		
Buildings	2,743,635	2,818,490	(3)%
Building Improvements	3,003,000	3,001,242	0%
Improvements other than buildings	294,745	109,046	170%
Mobile equipment	493,212	493,565	0%
Furniture and equipment	178,709	35,517	403%
Total	\$ <u>6,964,945</u>	<u>6,571,225</u>	6%

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 \$5,266,234 in outstanding long-term debt, of which \$264,812 is due within one year. During the fiscal year, the District made principal payments in the amount of \$255,000 on existing long-term debt. The District also received proceeds from the issuance of qualified school construction bonds in the amount of \$2,000,000. The liability for compensated absences decreased \$8,203 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,530,000	1,720,000	(11)%
Three mill notes payable	140,000	205,000	(32)%
Qualified zone academy bonds payable	1,500,000	1,500,000	0%
Qualified school construction bonds payable	2,000,000		
Compensated absences payable	96,234	104,437	(8)%
Total	\$ <u>5,266,234</u>	<u>3,529,437</u>	49%

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

Wilkinson County School District
Management's Discussion and Analysis
For Year Ended June 30, 2011

CURRENT ISSUES

The Wilkinson County School District is financially stable. The District is proud of its community support of its 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 funding to supplement the local, state and federal revenues.

Enrollment for the 2010-2011 school year increased by 6% to 1,332 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Wilkinson County School District, PO Box 785, Woodville, MS 39669.

FINANCIAL STATEMENTS

WILKINSON COUNTY SCHOOL DISTRICT

Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,116,046
Investments	2,573,093
Due from other governments	688,001
Inventories	20,410
Deferred debt issuance costs	17,943
Restricted assets	4,041,146
Capital assets, non-depreciable:	
Land	113,365
Construction in progress	138,279
Capital assets, net of accumulated depreciation:	
Buildings	2,743,635
Building improvements	3,003,000
Improvements other than buildings	294,745
Mobile equipment	493,212
Furniture and equipment	178,709
Total Assets	<u>16,421,584</u>
Liabilities	
Accounts payable and accrued liabilities	97,498
Interest payable on long-term liabilities	21,450
Long-term liabilities, due within one year:	
Capital related liabilities	260,000
Non-capital related liabilities	4,812
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,910,000
Non-capital related liabilities	91,422
Total Liabilities	<u>5,385,182</u>
Net Assets	
Invested in capital assets, net of related debt	3,464,129
Restricted for:	
Expendable:	
School-based activities	4,267,252
Debt service	1,019,333
Forestry improvements	110,007
Unemployment benefits	31,546
Non-expendable:	
Sixteenth section	1,617,912
Unrestricted	526,223
Total Net Assets	<u>\$ 11,036,402</u>

WILKINSON COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 7,236,455	\$ 121,566	\$ 2,035,971	\$ -	\$ (5,078,918)
Support services	4,895,618	33,375	1,468,631	-	(3,393,612)
Non-instructional	1,018,107	122,081	864,493	-	(31,533)
Sixteenth section	46,662	86,958	-	-	40,296
Interest on long-term liabilities	63,037	-	-	-	(63,037)
Total Governmental Activities	\$ 13,259,879	\$ 363,980	\$ 4,369,095	\$ -	\$ (8,526,804)
General Revenues:					
Taxes:					
					1,797,084
					146,396
Unrestricted grants and contributions:					
					5,924,651
					630,738
					115,514
					799,514
					47,503
					<u>9,461,400</u>
Change in Net Assets					<u>934,596</u>
Net Assets - Beginning, as originally reported					10,073,041
Prior Period Adjustments					<u>28,765</u>
Net Assets - Beginning, as restated					<u>10,101,806</u>
Net Assets - Ending					<u>\$ 11,036,402</u>

WILKINSON COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit C

Balance Sheet
June 30, 2011

	Major Funds							Total Governmental Funds
	General Fund	Title I Low Grant Fund	Title I ARRA Fund	Sixteenth Section Interest Fund	QSCB Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets								
Cash and cash equivalents	\$ 253,707	\$ -	\$ -	\$ 1,345,295	\$ 1,689,184	\$ 220,111	\$ 517,044	\$ 4,005,341
Cash with fiscal agents	-	-	-	-	-	-	2,144	2,144
Investments	-	-	-	2,573,093	-	1,300,000	849,707	4,722,800
Due from other governments	368,590	48,800	69,153	9,576	-	1,805	190,077	688,001
Due from other funds	170,639	-	-	-	-	-	13,158	183,797
Advance to other funds	-	-	-	-	-	97,500	-	97,500
Inventories	-	-	-	-	-	-	20,410	20,410
Total assets	\$ 792,936	\$ 48,800	\$ 69,153	\$ 3,927,964	\$ 1,689,184	\$ 1,619,416	\$ 1,592,540	\$ 9,719,993
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 90,922	\$ 784	\$ -	\$ -	\$ -	\$ -	\$ 5,792	\$ 97,498
Due to other funds	-	48,016	69,153	-	-	-	66,628	183,797
Advances from other funds	97,500	-	-	-	-	-	-	97,500
Total Liabilities	188,422	48,800	69,153	-	-	-	72,420	378,795
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	20,410	20,410
Permanent fund principal	-	-	-	-	-	1,520,412	-	1,520,412
Advances	-	-	-	-	-	97,500	-	97,500
Restricted:								
Debt service	-	-	-	-	-	-	1,040,783	1,040,783
Capital projects	-	-	-	-	1,669,184	-	-	1,669,184
Forestry improvement purposes	-	-	-	-	-	-	110,007	110,007
Unemployment benefits	-	-	-	-	-	-	31,546	31,546
Other commitments	-	-	-	3,927,964	-	1,504	317,374	4,246,842
Assigned:								
Other purposes	29,201	-	-	-	-	-	-	29,201
Unassigned	575,313	-	-	-	-	-	-	575,313
Total Fund Balances	604,514	-	69,153	3,927,964	1,669,184	1,619,416	1,520,120	9,341,198
Total Liabilities and Fund Balances	\$ 792,936	\$ 48,800	\$ 69,153	\$ 3,927,964	\$ 1,669,184	\$ 1,619,416	\$ 1,592,540	\$ 9,719,993

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

WILKINSON COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 9,341,198

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

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

Land	\$ 113,365	
Construction in progress	138,279	
Buildings	5,042,359	
Building improvements	4,206,780	
Improvements other than buildings	472,573	
Mobile equipment	1,544,440	
Furniture and equipment	911,523	
Accumulated depreciation	<u>(5,464,374)</u>	6,964,945

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

Limited obligation bonds	(1,530,000)	
Other bonds payable	(3,500,000)	
Notes payable	(140,000)	
Compensated absences	(96,234)	
Unamortized charges	17,943	
Accrued interest payable	<u>(21,450)</u>	(5,269,741)

Net assets of governmental activities \$ 11,036,402

WILKINSON COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit D

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

	Major Funds							Total Governmental Funds
	General Fund	Title I Grant Fund	Title I ARRA Fund	Sixteenth Section Interest Fund	OCSB Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Revenues:								
Local sources	\$ 1,985,453	\$ 117	\$ -	\$ -	\$ 3,778	\$ -	\$ 316,364	\$ 2,285,712
State sources	5,631,312	-	-	-	-	-	592,288	6,223,600
Federal sources	278,301	1,069,549	698,541	-	-	-	2,654,494	4,700,885
Sixteenth section sources	-	-	-	840,347	-	21,478	88,352	950,177
Total Revenues	7,875,066	1,069,665	698,541	840,347	3,778	21,478	3,651,498	14,160,374
Expenditures:								
Instruction	4,325,989	623,047	462,957	-	-	-	1,716,344	7,130,337
Support services	3,184,500	324,029	222,643	-	-	-	1,139,235	4,870,407
Noninstructional services	74,936	50,988	3,080	-	-	-	875,129	1,004,133
Sixteenth section	5,985	-	-	5	-	-	40,672	46,662
Facilities acquisition and construction	-	-	-	-	315,369	-	193,802	509,171
Debt service:								
Principal	-	-	-	-	-	-	255,000	255,000
Interest	4,750	-	-	-	-	-	59,255	64,005
Other	-	-	-	-	19,225	-	2,335	21,560
Total Expenditures	7,596,180	998,054	688,680	5	334,594	-	4,283,772	13,901,275
Excess (Deficiency) of Revenues over (under) Expenditures	278,886	71,602	9,861	840,342	(330,816)	21,478	(632,274)	259,099
Other Financing Sources (Uses):								
Bonds issued	-	-	-	-	2,000,000	-	-	2,000,000
Insurance recovery	31,728	-	-	-	-	-	-	31,728
Payments held by escrow agent	-	-	-	-	-	-	136,020	136,020
Payment to Qualified Zone Academy debt escrow agent	-	-	-	-	-	-	(136,020)	(136,020)
Sale of transportation equipment	400	-	-	-	-	-	-	400
Sale of other property	8	-	-	-	-	-	-	8
Operating transfers in	546,709	-	-	19,673	-	-	920,370	1,486,752
Other financing sources	-	-	-	-	-	-	1,973	1,973
Operating transfers out	(652,556)	(73,602)	(9,861)	(700,039)	-	(19,673)	(31,021)	(1,486,752)
Other financing uses	(670)	-	-	-	-	-	(3,587)	(4,257)
Total Other Financing Sources (Uses)	(74,381)	(73,602)	(9,861)	(580,366)	2,000,000	(19,673)	887,735	2,029,852
Net Change in Fund Balances	204,525	(2,000)	-	159,976	1,669,184	1,805	255,461	2,288,951
Fund Balances								
July 1, 2010	399,969	2,000	-	3,767,988	-	1,617,611	1,268,418	7,056,006
Increase (Decrease) in reserve for inventory	-	-	-	-	-	-	(3,759)	(3,759)
June 30, 2011	\$ 604,514	\$ -	\$ -	\$ 3,927,964	\$ 1,669,184	\$ 1,619,416	\$ 1,520,120	\$ 9,341,198

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

WILKINSON COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 2,288,951

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

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

Capital outlay	\$ 746,154	
Depreciation expense	<u>(379,072)</u>	367,082

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold (2,127)

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

Bonds and notes issued	(2,000,000)	
Payments of debt principal	255,000	
Accrued interest payable	3,303	
Deferred issuance costs	<u>19,225</u>	(1,722,472)

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

Change in compensated absences	8,203	
Change in inventory reserve	(3,759)	
Amortization of deferred charges, premiums and discounts	<u>(1,282)</u>	3,162

Change in net assets of governmental activities \$ 934,596

WILKINSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 475,990
Total Assets	<u>\$ 475,990</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 455,067
Due to student clubs	20,923
Total Liabilities	<u>\$ 475,990</u>

Wilkinson County School District

Notes to the Financial Statements
June 30, 2011

Wilkinson County School District

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

Note 1 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and

Wilkinson County School District

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

intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The school district reports the following major governmental funds:

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 Low Grant Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

Wilkinson County School District

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

Title I ARRA Fund - This is a special revenue fund that accounts for federal funds received under the American Recovery and Reinvestment Act (ARRA), which provides additional funding for programs under Title I Part A to assist in the instruction of students from families that live in poverty.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for the expendable revenues associated with earnings on sixteenth section lands.

QSCB Construction Fund - This is a capital projects fund that accounts for proceeds from the issuance of qualified school construction bonds and the expenditures associated with the construction and renovation of school facilities.

Sixteenth Section Principal Fund - This is a permanent fund used to account for resources from sixteenth section lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

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

The District's fiduciary funds include the following:

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

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual 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.

Wilkinson County School District

Notes to the 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. 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

Wilkinson County School District

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

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

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

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

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

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

E. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits

Wilkinson County School District

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

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

Wilkinson County School District

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

the period of acquisition.

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

Wilkinson County School District

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

	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.

7. **Compensated Absences**

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

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

8. **Long-term Liabilities and Deferred Debt Expense**

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

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

Wilkinson County School District

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

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 is no committed fund balance for this school district.

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it

Wilkinson County School District

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

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

Note 2 - Cash and Cash Equivalents, 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 districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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 and 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 \$4,005,341 and \$475,990, respectively.

Wilkinson County School District

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

The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$2,116,046 and restricted assets of \$1,889,295 (which represents the cash balances of the Sixteenth Section Principal Fund and the QSCB Construction Fund). The bank balance was \$5,467,684.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$5,467,684 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$2,144. This amount is also shown as restricted assets on Exhibit A.

Investments

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

Investment Type	Rating	Maturities in (years)	Fair Value
Federal National Mortgage Association		less than 1 year	\$ 564,757
Federal Home Loan Bank		1 year	280,983
Federal US Treasury Cash Reserve		less than 1 year	3,967
Certificates of Deposit		1 to 5 years	3,873,093
			<u>\$ 4,722,800</u>

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

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

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement

Wilkinson County School District

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

does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Federal National Mortgage Assn. - Trustmark National Bank	\$ 564,757	12 %
Federal Home Loan Bank - Trustmark National Bank	280,983	6%
Federal US Treasury Cash Reserve - Hancock Bank	3,967	0%
Certificates of Deposit - United Mississippi Bank	2,573,093	54%
Certificates of Deposit - Concordia Bank	1,300,000	28%

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Low Grant Fund	\$ 48,016
	Title I ARRA Fund	67,070
	Other Governmental Funds	55,553
Other Governmental Funds	Title I ARRA Fund	2,083
	Other Governmental Funds	11,075
Total		<u>\$ 183,797</u>

The primary purpose of the inter-fund receivables and payables was to close out federal program funds as part of routine year-end closing procedures. All inter-fund receivables and payables are expected to be repaid within one year.

B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sixteenth Section Principal Fund	General Fund	\$ 97,500
Total		<u>\$ 97,500</u>

Sixteenth section principal loans payable.

The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D.

Wilkinson County School District

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

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

Year Ending June 30		Principal	Interest	Total
2012	\$	16,250	3,900	20,150
2013		16,250	3,250	19,500
2014		16,250	2,600	18,850
2015		16,250	1,950	18,200
2016		16,250	1,300	17,550
2017		16,250	650	16,900
Total	\$	<u>97,500</u>	<u>13,650</u>	<u>111,150</u>

C. Interfund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other Governmental Funds	\$	652,556
Title I Low Grant Fund	General Fund		13,532
	Other Governmental Funds		60,070
Title I ARRA Fund	General Fund		9,861
Sixteenth Section Interest Fund	General Fund		500,039
	Other Governmental Funds		200,000
Sixteenth Section Principal Fund	Sixteenth Section Interest Fund		19,673
Other Governmental Funds	General Fund		23,277
	Other Governmental Funds		7,744
Total		\$	<u>1,486,752</u>

The transfers were primarily for the following: indirect cost transfers, vocational and special educational expenditure transfers, unemployment transfers and the transfer of expendable resources from the sixteenth section interest fund.

Note 4 - Restricted Assets

The restricted assets represent the cash and investment balance, totaling \$220,111 and \$1,300,000, respectively of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents and investment balance, totaling \$2,144 and \$845,740, respectively, of the QZAB Bond Retirement Funds. In addition, the restricted assets represent the investment balance in the amount of \$3,967 of the MAEP Limited Obligation Bond Fund. In addition, the restricted assets represents the cash balance in the amount of \$1,669,184 of the QSCB Construction Fund.

Wilkinson County School District

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

Note 5 - Capital Assets

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

	Balance 7-1-2010	Additions	Retirements	Adjustments	Balance 6-30-2011
<u>Non-depreciable capital assets</u>					
Land	\$ 113,365				113,365
Construction in progress		138,279			138,279
Total non-depreciable capital assets	113,365	138,279	0	0	251,644
<u>Depreciable capital assets:</u>					
Buildings	5,042,359				5,042,359
Building improvements	4,040,490	166,290			4,206,780
Improvements other than buildings	267,971	204,602			472,573
Mobile equipment	1,471,260	73,180			1,544,440
Furniture and equipment	771,728	163,803	57,511	33,503	911,523
Total depreciable capital assets	11,593,808	607,875	57,511	33,503	12,177,675
<u>Less accumulated depreciation for:</u>					
Buildings	2,223,869	74,855			2,298,724
Building improvements	1,039,248	164,532			1,203,780
Improvements other than buildings	158,925	18,903			177,828
Mobile equipment	977,695	73,533			1,051,228
Furniture and equipment	736,211	47,249	55,384	4,738	732,814
Total accumulated depreciation	5,135,948	379,072	55,384	4,738	5,464,374
Total depreciable capital assets, net	6,457,860	228,803	2,127	28,765	6,713,301
Governmental activities capital assets, net	\$ 6,571,225	367,082	2,127	28,765	6,964,945

Adjustments were made to record assets purchased during the prior fiscal year and correctly state depreciable life of these assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instructional	\$ 271,739
Support services	96,708
Non-instructional	10,625
Total depreciation expense	\$ 379,072

Wilkinson County School District

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

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
HVAC Project at WCHS, WCES & Finch	\$ <u>138,279</u>	<u>272,320</u>

Construction projects included in government activities are funded with proceeds from the issuance of qualified school construction bonds.

Note 6 - Long-Term Liabilities

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

	Balance 7-1-2010	Additions	Reductions	Balance 6-30-2011	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,720,000		190,000	1,530,000	195,000
B. Three mill notes payable	205,000		65,000	140,000	65,000
C. Qualified zone academy bonds payable	1,500,000			1,500,000	
D. Qualified school construction bonds payable		2,000,000		2,000,000	
E. Compensated absences payable	104,437		8,203	96,234	4,812
Total	\$ <u>3,529,437</u>	<u>2,000,000</u>	<u>263,203</u>	<u>5,266,234</u>	<u>264,812</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
MAEP Refunding Bonds, Series 2009	3.09%	05-19-09	02-01-18	\$ <u>1,850,000</u>	<u>1,530,000</u>
Total				\$ <u>1,850,000</u>	<u>1,530,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 195,000	47,277	242,277
2013	205,000	41,251	246,251
2014	210,000	34,917	244,917
2015	220,000	28,428	248,428
2016	225,000	21,630	246,630
2017-2018	475,000	22,093	497,093
Total	\$ <u>1,530,000</u>	<u>195,596</u>	<u>1,725,596</u>

Wilkinson County School District

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

This debt will be retired from the MAEP Retirement Fund.

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable	4.00%	09-01-05	09-01-12	\$ 500,000	140,000
Total				\$ 500,000	140,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 65,000	4,300	69,300
2013	75,000	1,500	76,500
Total	\$ 140,000	5,800	145,800

This debt will be retired from the EEF Buildings and Buses Fund and the Debt Service Fund (Special Revenue Fund 2410) and the Wilkinson County School District Note and Interest Fund (Debt Service Fund 4021).

This note is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi Department of Education pursuant to the Mississippi Education Enhancement Funds (EEF Fund), Section 37-61-33(2)(d), Miss. Code Ann. (1972). The EEF funds pledged is to secure the 2005 through 2013 maturities in the approximate amounts of \$45,921 each year. For fiscal year 2011, the district received \$45,921 in EEF Buildings and Buses revenue in fund 2410, which agrees with the pledged amount on the amortization schedule. For fiscal year 2011, there are principal payments of \$36,210 from EEF Buildings and Buses fund and \$28,790 from Wilkinson County School District Note and Interest Fund. The total principal payment for the three mill note was \$65,000 for the fiscal year 2011.

Wilkinson County School District

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

C. Qualified zone academy payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
QZAB, Series 2004	0%	12-16-04	09-15-15	\$ 1,000,000	1,000,000
QZAB, Series 2005	0%	06-03-05	06-03-14	500,000	500,000
Total				\$ <u>1,500,000</u>	<u>1,500,000</u>

D. Qualified school construction bonds payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
QSCB, Series 2010	0.84%	12-21-10	12-15-25	\$ 2,000,000	2,000,000
Total				\$ <u>2,000,000</u>	<u>2,000,000</u>

E. 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

Commitments under construction contracts are described in Note 5.

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 supplemental information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Wilkinson County School District

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

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 \$809,981, \$844,127, and \$831,483, respectively, which equaled the required contributions for each year.

Note 9 - Prior Year Defeasance of Debt

In prior years, the Wilkinson County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2011, \$1,475,000 of bonds outstanding are defeased.

Note 10 - Sixteenth Section Lands

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

Year Ending June 30		Amount
2012	\$	263,314
2013		263,314
2014		225
2015		150
2016		150
2017-2021		750
2022-2026		750
2027		150
Total	\$	<u>528,803</u>

Wilkinson County School District

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

Note 11 - Contingencies

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

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 - Insurance Loss Recoveries

The Wilkinson County School District received \$31,728 in insurance loss recoveries related to vandalism at Wilkinson County High School. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expenditure Function</u>
\$ 31,728	100%	Support services
<u>\$ 31,728</u>	<u>100%</u>	

Note 14 - Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank has entered into such an arrangement dated December 16, 2004 for the \$1,000,000 and June 3, 2005 for the \$500,000 QZAB bond. The school district has twenty-six partners that will make contributions of at least ten percent of the sum generated by the issuance of bonds. The bonds will enhance public education by establishing math/science and technology academics at three schools.

Wilkinson County School District

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before December 3 for the \$1,000,000 issue and September 15 for the \$500,000 issue. The amount on deposit at June 30, 2011 was \$565,412 for the \$1,000,000 issue and \$282,472 for the \$500,000 issue. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 137,020
2013	127,020
2014	124,870
2015	82,020
2016	82,020
Total	<u>\$ 552,950</u>

Note 15 - Qualified School Construction Bond

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds of termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2011 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Wilkinson County School District

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

Year Ending June 30	Amount
2012	\$ 70,000
2013	60,000
2014	144,000
2015	144,000
2016	144,000
2017-2021	720,000
2022-2026	718,000
Total	\$ <u>2,000,000</u>

Note 16 - Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 To correct capital assets and accumulated depreciation for assets purchased in prior year but were not included in prior year capital asset balances.	\$ 28,765
Total	\$ <u>28,765</u>

Note 17 - Subsequent Event

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 Wilkinson County School District evaluated the activity of the district through the date the report was available to be issued, and determined that the following subsequent event occurred that requires disclosure in the notes to the financial statements:

On July 11, 2011, the school board has received proceeds from a shortfall note that was issued on June 30, 2011 in the amount of \$232,102. The note will bear interest at 4.94% and will mature on June 17, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

WILKINSON COUNTY SCHOOL DISTRICT
Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,010,975	\$ 1,965,453	\$ 1,965,453	\$ (45,522)	-
State sources	6,142,057	5,631,312	5,631,312	(510,745)	-
Federal sources	272,000	278,301	278,301	6,301	-
Total Revenues	8,425,032	7,875,066	7,875,066	(549,966)	-
Expenditures:					
Instruction	5,073,252	4,325,989	4,325,989	747,263	-
Support services	3,673,651	3,184,500	3,184,500	489,151	-
Noninstructional services	108,225	74,936	74,936	33,289	-
Sixteenth section	-	5,985	5,985	(5,985)	-
Debt service:					
Principal	21,250	-	-	21,250	-
Interest	4,750	4,750	4,750	-	-
Total Expenditures	8,881,128	7,596,160	7,596,160	1,284,968	-
Excess (Deficiency) of Revenues over (under) Expenditures	(456,096)	278,906	278,906	735,002	-
Other Financing Sources (Uses):					
Insurance recovery	-	31,728	31,728	31,728	-
Sale of transportation equipment	-	400	400	400	-
Sale of other property	-	8	8	8	-
Operating transfers in	2,092,940	1,636,795	546,709	(456,145)	(1,090,086)
Operating transfers out	(1,568,605)	(1,742,642)	(652,556)	(174,037)	1,090,086
Other financing uses	(25)	(670)	(670)	(645)	-
Total Other Financing Sources (Uses)	524,310	(74,381)	(74,381)	(598,691)	-
Net Change in Fund Balances	68,214	204,525	204,525	136,311	-
Fund Balances:					
July 1, 2010	384,731	399,989	399,989	15,258	-
June 30, 2011	\$ 452,945	\$ 604,514	\$ 604,514	\$ 151,569	\$ -

WILKINSON COUNTY SCHOOL DISTRICT

Required Supplemental Information

**Budgetary Comparison Schedule
Title I Low Grant Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 117	\$ 117	\$ 117	\$ -
Federal sources	1,275,855	1,069,549	1,069,549	(206,306)	-
Total Revenues	1,275,855	1,069,666	1,069,666	(206,189)	-
Expenditures:					
Instruction	568,416	623,047	623,047	(54,631)	-
Support services	494,897	324,029	324,029	170,868	-
Noninstructional services	58,362	50,988	50,988	7,374	-
Total Expenditures	1,121,675	998,064	998,064	123,611	-
Excess (Deficiency) of Revenues over (under) Expenditures	154,180	71,602	71,602	(82,578)	-
Other Financing Sources (Uses):					
Operating transfers out	(154,180)	(73,602)	(73,602)	80,578	-
Total Other Financing Sources (Uses)	(154,180)	(73,602)	(73,602)	80,578	-
Net Change in Fund Balances	-	(2,000)	(2,000)	(2,000)	-
Fund Balances:					
July 1, 2010	-	2,000	2,000	2,000	-
June 30, 2011	\$ -	\$ -	\$ -	\$ -	\$ -

WILKINSON COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

Title I ARRA 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	\$ 279,829	\$ 696,196	\$ 698,541	\$ 416,367	\$ 2,345
Total Revenues	279,829	696,196	698,541	416,367	2,345
Expenditures:					
Instruction	224,679	462,957	462,957	(238,278)	-
Support services	47,315	220,560	222,643	(173,245)	(2,083)
Noninstructional services	6,229	3,080	3,080	3,149	-
Total Expenditures	278,223	686,597	688,680	(408,374)	(2,083)
Excess (Deficiency) of Revenues over (under) Expenditures	1,606	9,599	9,861	7,993	262
Other Financing Sources (Uses):					
Operating transfers out	(1,606)	(9,861)	(9,861)	(8,255)	-
Total Other Financing Sources (Uses)	(1,606)	(9,861)	(9,861)	(8,255)	-
Net Change in Fund Balances	-	(262)	-	(262)	262
Fund Balances:					
July 1, 2010	-	262	-	262	(262)
June 30, 2011	\$ -	\$ -	\$ -	\$ -	\$ -

WILKINSON COUNTY SCHOOL DISTRICT

Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 746,602	\$ 840,347	\$ 840,347	\$ 93,745	\$ -
Total Revenues	746,602	840,347	840,347	93,745	-
Expenditures:					
Sixteenth section	1,257	5	5	1,252	-
Total Expenditures	1,257	5	5	1,252	-
Excess (Deficiency) of Revenues over (under) Expenditures	745,345	840,342	840,342	94,997	-
Other Financing Sources (Uses):					
Operating transfers in	23,250	19,673	19,673	(3,577)	-
Operating transfers out	(1,011,309)	(700,039)	(700,039)	311,270	-
Total Other Financing Sources (Uses)	(988,059)	(680,366)	(680,366)	307,693	-
Net Change in Fund Balances	(242,714)	159,976	159,976	402,690	-
Fund Balances:					
July 1, 2010	3,560,345	3,767,988	3,767,988	207,643	-
June 30, 2011	\$ 3,317,631	\$ 3,927,964	\$ 3,927,964	\$ 610,333	\$ -

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Wilkinson County School District

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

Budgetary Comparison Schedule

(1) **Basis of Presentation**

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

(2) **Budget Amendments and Revisions**

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

SUPPLEMENTAL INFORMATION

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

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education.		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 288,845
National School Lunch Program	10.555	594,155
Total Child Nutrition cluster		<u>883,000</u>
Total Passed-through the Mississippi Department of Education		<u>883,000</u>
Passed-through Wilkinson County		
Schools and Roads - Grants to States	10.665	134,128
Total Passed-through Wilkinson County		<u>134,128</u>
Total U.S. Department of Agriculture		<u>1,017,128</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxxx	137,786
Total Federal Communications Commission		<u>137,786</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxxx	69,208
Total U.S. Department of Defense		<u>69,208</u>
<u>U.S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,151,149
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	768,704
Total Title I Cluster		<u>1,919,853</u>
Education Technology State Grants Cluster		
Education Technology State Grants	84.318	8,920
ARRA - Education Technology State Grants, Recovery Act	84.386	12,913
Total Education Technology State Grants Cluster		<u>21,833</u>
Career and Technical Education - Basic Grants to States	84.048	27,851
Safe and Drug-Free Schools and Communities - State Grants	84.186	9,494
Rural Education	84.358	20,665
Improving Teacher Quality State Grants	84.367	167,922
School Improvement Grants	84.377	174,950
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	9,903
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	358,824
Education Jobs Fund	84.410	215,739
Subtotal		<u>985,348</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	389,299
Special Education - Preschool Grants	84.173	17,798
ARRA - Special Education Grants to States, Recovery Act	84.391	269,562
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	7,477
Total Special Education Cluster		<u>684,136</u>
Total passed-through the Mississippi Department of Education		<u>3,611,170</u>
Total U.S. Department of Education		<u>3,611,170</u>
Total for All Federal Awards		\$ <u>4,835,292</u>

Notes to Schedule

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

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

Schedule 2

Expenditures	Total	Instruction and Other Student Instructional	General Administration	School Administration	Other
Salaries and fringe benefits \$	9,365,001	7,027,749	467,369	607,887	1,261,996
Other	4,536,274	1,872,199	221,225	97,396	2,345,454
Total \$	<u>13,901,275</u>	<u>8,899,948</u>	<u>688,594</u>	<u>705,283</u>	<u>3,607,450</u>
Total number of students *	1,332				
Cost per student \$	<u>10,436</u>	<u>6,682</u>	<u>517</u>	<u>529</u>	<u>2,708</u>

NOTES TO SCHEDULE

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

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

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

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

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

OTHER INFORMATION

WILKINSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 1,965,453	1,714,295	1,821,245	1,829,751
State sources	5,631,312	5,538,336	6,371,057	6,647,038
Federal sources	278,301	276,876	249,002	218,782
Total Revenues	<u>7,875,066</u>	<u>7,529,507</u>	<u>8,441,304</u>	<u>8,695,571</u>
Expenditures:				
Instruction	4,325,989	4,710,908	5,392,295	5,535,271
Support services	3,184,500	3,090,383	3,196,822	3,086,789
Noninstructional services	74,936	91,704	130,107	106,999
Sixteenth section	5,985			
Debt service:				
Interest	4,750	5,600	6,850	8,100
Total Expenditures	<u>7,596,160</u>	<u>7,898,595</u>	<u>8,726,074</u>	<u>8,737,159</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>278,906</u>	<u>(369,088)</u>	<u>(284,770)</u>	<u>(41,588)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	31,728	4,441	85,982	
Sale of transportation equipment	400			1,207
Sale of other property	8		5	56
Operating transfers in	546,709	934,184	597,754	581,182
Operating transfers out	(652,556)	(502,919)	(485,305)	(516,212)
Other financing uses	(670)	(894)	(93)	
Total Other Financing Sources (Uses)	<u>(74,381)</u>	<u>434,812</u>	<u>198,343</u>	<u>66,233</u>
Net Change in Fund Balances	<u>204,525</u>	<u>65,724</u>	<u>(86,427)</u>	<u>24,645</u>
Fund Balances:				
July 1, as originally reported	399,989	330,265	416,692	392,047
Prior period adjustments		4,000		
July 1, as restated	<u>399,989</u>	<u>334,265</u>	<u>416,692</u>	<u>392,047</u>
June 30,	<u>\$ 604,514</u>	<u>399,989</u>	<u>330,265</u>	<u>416,692</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

WILKINSON COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 2,285,712	2,034,734	2,130,286	2,106,117
State sources	6,223,600	6,301,975	7,124,392	7,204,086
Federal sources	4,700,885	4,083,964	2,780,448	2,578,713
Sixteenth section sources	950,177	973,266	521,450	965,384
Total Revenues	<u>14,160,374</u>	<u>13,393,939</u>	<u>12,556,576</u>	<u>12,854,300</u>
Expenditures:				
Instruction	7,130,337	7,051,605	6,835,424	6,645,599
Support services	4,870,407	4,612,345	4,528,829	4,414,866
Noninstructional services	1,004,133	1,022,926	1,007,318	950,492
Sixteenth section	46,662	40,079	98,163	65,325
Facilities acquisition and construction	509,171			
Debt service:				
Principal	255,000	190,000	220,000	230,000
Interest	64,005	53,934	105,920	119,240
Debt Issuance Cost			25,921	
Other	21,560	2,300	2,318	650
Total Expenditures	<u>13,901,275</u>	<u>12,973,189</u>	<u>12,823,893</u>	<u>12,426,172</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>259,099</u>	<u>420,750</u>	<u>(267,317)</u>	<u>428,128</u>
Other Financing Sources (Uses):				
Bonds issued	2,000,000		1,850,000	
Insurance loss recoveries	31,728	4,441	85,982	
Sale of transportation equipment	400			1,207
Sale of other property	8		5	56
Payments held by escrow agent	136,020			114,670
Payments held by QZAB escrow agent	(136,020)	137,020	136,020	
Repayments to state agencies				
Operating transfers in	1,486,752	1,534,892	1,186,569	1,311,274
Other financing sources	1,973	973	1,973	
Operating transfers out	(1,486,752)	(1,534,892)	(1,186,569)	(1,311,274)
Payments to refunded bond escrow agent			(1,824,079)	
Payments to QZAB debt escrow agent		(137,020)	(136,020)	(114,670)
Other financing uses	(4,257)	(6,000)	(4,581)	
Total Other Financing Sources (Uses)	<u>2,029,852</u>	<u>(586)</u>	<u>109,300</u>	<u>1,263</u>
Net Change in Fund Balances	<u>2,288,951</u>	<u>420,164</u>	<u>(158,017)</u>	<u>429,391</u>
Fund Balances:				
July 1, as originally reported	7,056,006	6,623,230	6,778,705	6,351,846
Prior period adjustments		3,625	(610)	
July 1, as restated	<u>7,056,006</u>	<u>6,626,855</u>	<u>6,778,095</u>	<u>6,351,846</u>
Increase (Decrease) in reserve for inventory	(3,759)	8,987	3,152	(2,532)
June 30,	<u>\$ 9,341,198</u>	<u>7,056,006</u>	<u>6,623,230</u>	<u>6,778,705</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wilkinson County School District as of and for the year ended June 30, 2011, which collectively comprise the Wilkinson County School District's basic financial statements and have issued our report thereon dated March 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wilkinson County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

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objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 1, 2012

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wilkinson County School District

Compliance

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

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

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

Internal Control Over Compliance

Management of the Wilkinson County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wilkinson County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 1, 2012

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilkinson County School District as of and for the year ended June 30, 2011, which collectively comprise Wilkinson County School District's basic financial statements and have issued our report thereon dated March 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,807 of classroom supply funds carried over from previous years.

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

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

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

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

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FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 1, 2012

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Wilkinson County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010 & 84.389	Title I Cluster
84.027, 84.173, 84.391 & 84.392	Special Education Cluster
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.410	Education Jobs Fund

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

Section II: Financial Statement Findings

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

Section III: Findings and Questioned Costs for Federal Awards

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