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YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Yazoo City Municipal School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo City Municipal School District as of and for the year ended June 30, 2011, which collectively comprise the Yazoo City Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Yazoo City Municipal 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 Yazoo City Municipal 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 January 23, 2012, on our consideration of the Yazoo City Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

  
Cunningham CPAs, PLLC

January 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of Yazoo City Municipal 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 \$1,137,301, which represents a 260% increase from fiscal year 2010. Total net assets for 2010 increased \$97,176, including prior period adjustments of (\$29,497), which represents a 29% increase from fiscal year 2009.
- General revenues amounted to \$13,528,932 and \$15,528,888, or 60% 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 \$9,089,399, or 40% of total revenues for 2011, and \$7,076,210, or 31% of total revenues for 2010.
- The District had \$21,481,030 and \$22,478,425 in expenses for fiscal years 2011 and 2010; only \$9,089,399 for 2011 and \$7,076,210 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,528,932 for 2011 were adequate to provide for these programs and \$15,528,888 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,245,567 in revenues and \$11,646,674 in expenditures for 2011, and \$13,913,548 in revenues and \$13,753,891 in expenditures in 2010. The General Fund's fund balance increased by \$548,617 from 2010 to 2011, and decreased by \$81,430 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$325,086 for 2011 and decreased by \$228,141 for 2010. The decrease for 2011 was primarily due to the increase in accumulated depreciation.
- Long-term debt decreased by \$561,819 for 2011 and decreased by \$595,000 for 2010. This decrease for 2011 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$8,517 for 2011 and decreased by \$1,846 for 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

#### **Fund Financial Statements**

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

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

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

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

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

#### **Reconciliation of Government-wide and Fund Financial Statements**

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplemental Information**

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

**Supplemental Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$1,574,136 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.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 3,164,436	\$ 2,742,316	15.39 %
Other assets	63,181	-	N/A %
Restricted assets	891,972	807,737	10.43 %
Capital assets, net	4,179,727	4,504,813	(7.22) %
<b>Total assets</b>	<b>8,299,316</b>	<b>8,054,866</b>	<b>3.03 %</b>
Current liabilities	442,144	781,693	(43.44) %
Long-term debt outstanding	6,283,036	6,836,338	(8.09) %
<b>Total liabilities</b>	<b>6,725,180</b>	<b>7,618,031</b>	<b>(11.72) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	(2,003,454)	(2,240,187)	10.57 %
Restricted	2,072,045	1,703,815	21.61 %
Unrestricted	1,505,545	973,207	54.70 %
<b>Total net assets</b>	<b>\$ 1,574,136</b>	<b>\$ 436,835</b>	<b>260.35 %</b>

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

- Decrease in net capital assets in the amount of \$325,086.
- The principal retirement of \$4,020,000 of long-term debt.
- Issuing refunding bonds in the amount of \$3,480,000.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$22,618,331 and \$22,605,098, respectively. The total cost of all programs and services was \$21,481,030 for 2011 and \$22,478,425 for 2010.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 205,683	\$ 239,506	(14.12) %
Operating grants and contributions	8,883,716	6,836,704	29.94 %
General revenues:			
Property taxes	1,856,256	2,011,953	(7.74) %
Grants and contributions not restricted	11,545,354	13,440,974	(14.10) %
Investment earnings	8,336	3,750	122.29 %
Sixteenth section sources	33,066	32,000	3.33 %
Other	85,920	40,211	113.67 %
<b>Total revenues</b>	<b>22,618,331</b>	<b>22,605,098</b>	<b>0.06 %</b>
<b>Expenses:</b>			
Instruction	13,092,190	14,221,040	(7.94) %
Support services	6,405,102	6,140,361	4.31 %
Non-instructional	1,729,696	1,773,394	(2.46) %
Interest expense and other debt issuance costs	254,042	343,630	(26.07) %
<b>Total expenses</b>	<b>21,481,030</b>	<b>22,478,425</b>	<b>(4.44) %</b>
<b>Increase (Decrease) in net assets</b>	<b>1,137,301</b>	<b>126,673</b>	<b>797.82 %</b>
<b>Net Assets, July 1, as originally reported</b>	<b>436,835</b>	<b>339,659</b>	<b>28.61 %</b>
<b>Prior period adjustments</b>	<b>-</b>	<b>(29,497)</b>	<b>100.00 %</b>
<b>Net Assets, July 1, as restated</b>	<b>436,835</b>	<b>310,162</b>	<b>40.84 %</b>
<b>Net Assets, June 30,</b>	<b>\$ 1,574,136</b>	<b>\$ 436,835</b>	<b>260.35 %</b>

**Governmental activities**

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest and other expenses 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.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 13,092,190	\$ 14,221,040	(7.94) %
Support services	6,405,102	6,140,361	4.31 %
Non-instructional	1,729,696	1,773,394	(2.46) %
Interest expense and other debt issuance costs	254,042	343,630	(26.07) %
<b>Total expenses</b>	<b>\$ 21,481,030</b>	<b>\$ 22,478,425</b>	<b>(4.44) %</b>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (7,852,025)	\$ (10,196,470)	(22.99) %
Support services	(4,435,828)	(4,973,387)	(10.81) %
Non-instructional	150,264	111,272	35.04 %
Interest expense and other debt issuance costs	(254,042)	(343,630)	(26.07) %
<b>Total net (expense) revenue</b>	<b>\$ (12,391,631)</b>	<b>\$ (15,402,215)</b>	<b>(19.55) %</b>

- Net cost of governmental activities (\$12,391,631 for 2011 and \$15,402,215 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$1,856,256 for 2011 and \$2,011,953 for 2010) and state and federal revenues (\$11,545,354 for 2011 and \$13,440,974 for 2010). In addition, there was \$33,066 and \$32,000 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$8,336 for 2011 and \$3,750 for 2010.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,657,491, an increase of \$782,941, which includes a decrease in reserve for inventory of \$15,414. \$1,542,219 or 42% 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 \$2,115,272 or 58% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$548,617. The fund balance of Other Governmental Funds showed an increase in the amount of \$256,123, which includes a decrease in reserve for inventory of \$15,414, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Limited Tax Note Fund	\$ (2,646)
Bond Issue Retirement Fund	\$ (19,153)

**BUDGETARY HIGHLIGHTS**

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in 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 \$14,637,880, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$22,454 from 2010. Total accumulated depreciation as of June 30, 2011, was \$10,458,153, and total depreciation expense for the year was \$347,540, resulting in total net capital assets of \$4,179,727.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 602,643	\$ 602,643	0.00 %
Buildings	2,839,697	3,023,745	(6.09) %
Improvements other than buildings	333,995	355,195	(5.97) %
Mobile equipment	311,588	437,377	(28.76) %
Furniture and equipment	91,804	85,853	6.93 %
<b>Total</b>	<b>\$ 4,179,727</b>	<b>\$ 4,504,813</b>	<b>(7.22) %</b>

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

YAZOO CITY MUNICIPAL SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2011

**Debt Administration.** At June 30, 2011, the District had \$6,283,036 in outstanding long-term debt, of which \$717,576 is due within one year. The liability for compensated absences increased \$8,517 from the prior year.

The District maintains an A+ bond rating.

**Table 5  
 Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,480,000	\$ 3,650,000	(4.66) %
Limited obligation bonds payable	1,820,000	2,035,000	(10.57) %
Limited tax notes payable	905,000	1,060,000	(14.62) %
Compensated absences payable	<u>99,855</u>	<u>91,338</u>	9.32 %
Total	<u>6,304,855</u>	<u>6,836,338</u>	(7.77) %
Less bond issue costs	<u>(21,819)</u>	<u>-</u>	N/A %
Total	<u>\$ 6,283,036</u>	<u>\$ 6,836,338</u>	(8.09) %

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

**CURRENT ISSUES**

The Yazoo City Municipal School District is financially stable. The District is proud of its community support of the public schools.

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

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

Average daily attendance for the 2010-2011 year decreased by 6% to 2,212 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or additional financial information, contact the Superintendent's Office of the Yazoo City Municipal School District, 1133 Calhoun Avenue, Yazoo City, Mississippi 39194.

FINANCIAL STATEMENTS

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Statement of Net Assets  
June 30, 2011**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,209,462
Due from other governments	937,460
Inventories	17,514
Restricted assets	891,972
Deferred debt issuance costs	63,181
Capital assets, non-depreciable:	
Land	602,643
Capital assets, net of accumulated depreciation:	
Buildings	2,839,697
Improvements other than buildings	333,995
Mobile equipment	311,588
Furniture and equipment	91,804
Total Assets	<u>8,299,316</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	332,795
Unearned revenue	66,122
Interest payable on long-term liabilities	43,227
Long-term liabilities, due within one year:	
Capital related liabilities	717,576
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,465,605
Non-capital related liabilities	99,855
Total Liabilities	<u>6,725,180</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(2,003,454)
Restricted for:	
Expendable:	
School-based activities	1,242,308
Debt service	179,191
Capital improvements	212,524
Forestry improvements	3,127
Unemployment benefits	72,453
Non-expendable:	
Sixteenth section	362,442
Unrestricted	1,505,545
Total Net Assets	<u>\$ 1,574,136</u>

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2011**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 13,092,190	90,624	5,149,541	-		(7,852,025)
Support services	6,405,102	-	1,969,274	-		(4,435,828)
Non-instructional	1,729,696	115,059	1,764,901	-		150,264
Interest on long-term liabilities and other debt issuance costs	254,042	-	-	-		(254,042)
<b>Total Governmental Activities</b>	<b>\$ 21,481,030</b>	<b>205,683</b>	<b>8,883,716</b>	<b>-</b>		<b>(12,391,631)</b>
 <b>General Revenues:</b>						
Taxes:						
						1,345,391
						510,865
Unrestricted grants and contributions:						
						10,597,186
						948,168
						8,336
						33,066
						85,920
						<u>13,528,932</u>
						<u>1,137,301</u>
						<u>436,835</u>
						<u>\$ 1,574,136</u>

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2011**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Limited Tax Note Fund	Bond Issue Retirement Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 908,647	\$ 184,563	\$ 339,967	\$ 1,663,257	\$ 3,096,434
Cash with fiscal agents	-	-	-	5,000	5,000
Due from other governments	216,731	2,319	8,343	645,069	872,462
Due from other funds	765,459	67,360	11,483	400,625	1,244,927
Inventories	-	-	-	17,514	17,514
<b>Total Assets</b>	<b>\$ 1,890,837</b>	<b>\$ 254,242</b>	<b>\$ 359,793</b>	<b>\$ 2,731,465</b>	<b>\$ 5,236,337</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 51,656	\$ -	\$ -	\$ 281,139	\$ 332,795
Due to other funds	226,019	254,242	297,879	401,789	1,179,929
Unearned revenue	-	-	-	66,122	66,122
<b>Total Liabilities</b>	<b>277,675</b>	<b>254,242</b>	<b>297,879</b>	<b>749,050</b>	<b>1,578,846</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	17,514	17,514
Permanent fund principal	-	-	-	362,442	362,442
<b>Restricted:</b>					
Debt service	-	-	61,914	160,504	222,418
Capital projects	-	-	-	212,524	212,524
Forestry improvement purposes	-	-	-	3,127	3,127
Unemployment benefits	-	-	-	72,453	72,453
Grant activities	-	-	-	810,203	810,203
<b>Assigned:</b>					
School based activities	70,943	-	-	343,648	414,591
<b>Unassigned</b>	<b>1,542,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,542,219</b>
<b>Total Fund Balances</b>	<b>1,613,162</b>	<b>-</b>	<b>61,914</b>	<b>1,982,415</b>	<b>3,657,491</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,890,837</b>	<b>\$ 254,242</b>	<b>\$ 359,793</b>	<b>\$ 2,731,465</b>	<b>\$ 5,236,337</b>

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

**Exhibit C-1**

June 30, 2011

**Total fund balances for governmental funds** \$ 3,657,491

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	\$ 602,643	
Buildings	11,497,444	
Improvements other than buildings	629,300	
Mobile equipment	1,284,701	
Furniture and equipment	623,792	
Accumulated depreciation	<u>(10,458,153)</u>	4,179,727

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

63,181

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

General obligation refunding bonds	(3,480,000)	
Limited obligation bonds	(1,820,000)	
Limited tax notes payable	(905,000)	
Compensated absences	(99,855)	
Unamortized premiums and other debt issuance costs	21,819	
Accrued interest payable	<u>(43,227)</u>	<u>(6,326,263)</u>

**Net assets of governmental activities** \$ 1,574,136

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

Governmental Funds

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

**Exhibit D**

	Major Funds				Total Governmental Funds
	General Fund	Limited Tax Note Fund	Bond Issue Retirement Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 1,514,221	\$ 98,700	\$ 412,473	\$ 121,110	\$ 2,146,504
Intermediate sources	25,834	-	-	-	25,834
State sources	10,524,189	-	-	1,426,372	11,950,561
Federal sources	181,323	-	-	8,271,352	8,452,675
Sixteenth section sources	-	-	-	33,066	33,066
<b>Total Revenues</b>	<b>12,245,567</b>	<b>98,700</b>	<b>412,473</b>	<b>9,851,900</b>	<b>22,608,640</b>
<b>Expenditures:</b>					
Instruction	7,324,716	-	-	5,545,857	12,870,573
Support services	4,321,648	22	-	1,999,372	6,321,042
Noninstructional services	310	-	-	1,686,046	1,686,356
Debt service:					
Principal	-	155,000	255,000	215,000	625,000
Interest	-	48,189	176,626	91,576	316,391
Other	-	-	-	63,795	63,795
<b>Total Expenditures</b>	<b>11,646,674</b>	<b>203,211</b>	<b>431,626</b>	<b>9,601,646</b>	<b>21,883,157</b>
Excess (Deficiency) of Revenues over (under) Expenditures	598,893	(104,511)	(19,153)	250,254	725,483
<b>Other Financing Sources (Uses):</b>					
Refunding bonds issued	-	-	-	3,480,000	3,480,000
Premium on refunding bonds issued	-	-	-	26,748	26,748
Insurance loss recoveries	7,821	-	-	-	7,821
Other financing sources	15,710	-	-	-	15,710
Operating transfers in	128,058	101,865	-	443,508	673,431
Operating transfers out	(201,865)	-	-	(471,566)	(673,431)
Other financing uses	-	-	-	(13,840)	(13,840)
Payment to refunded bond escrow agent	-	-	-	(3,443,567)	(3,443,567)
<b>Total Other Financing Sources (Uses)</b>	<b>(50,276)</b>	<b>101,865</b>	<b>-</b>	<b>21,283</b>	<b>72,872</b>
<b>Net Change in Fund Balances</b>	<b>548,617</b>	<b>(2,646)</b>	<b>(19,153)</b>	<b>271,537</b>	<b>798,355</b>
<b>Fund Balances:</b>					
July 1, 2010	1,064,545	2,646	81,067	1,726,292	2,874,550
Increase (decrease) in reserve for inventory	-	-	-	(15,414)	(15,414)
<b>June 30, 2011</b>	<b>\$ 1,613,162</b>	<b>\$ -</b>	<b>\$ 61,914</b>	<b>\$ 1,982,415</b>	<b>\$ 3,657,491</b>

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

**YAZOO CITY MUNICIPAL 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** \$ 798,355

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	\$ 22,454	
Depreciation expense	<u>(347,540)</u>	(325,086)

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

Refunding bonds issued	(3,480,000)	
Premiums on refunding bonds issued	(26,748)	
Deferred issuance costs	63,181	
Payments of debt principal	625,000	
Payments to refunded bond escrow agents	3,443,567	
Accrued interest payable	<u>62,963</u>	687,963

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

Change in compensated absences	(8,517)	
Change in inventory reserve	<u>(15,414)</u>	<u>(23,931)</u>

**Change in net assets of governmental activities** \$ 1,137,301

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

**YAZOO CITY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2011**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 673,668
Other receivables, net	740
Due from other funds	<u>87,988</u>
Total Assets	<u>\$ 762,396</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 580,904
Due to student clubs	28,506
Due to other funds	<u>152,986</u>
Total Liabilities	<u>\$ 762,396</u>

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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

### Note 1 – Summary of Significant Accounting Policies

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

#### A. Basis of Presentation

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

#### B. Financial Reporting Entity

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

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

#### C. Government-wide and Fund Financial Statements

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

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

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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

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

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

The school district reports the following major governmental funds:

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

**Limited Tax Note Fund** - This fund accounts for financial resources to be used for retirement of the limited tax notes.

**Bond Issue Retirement** - This fund serves to account for funds from a bond that was issued for capital improvements.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

**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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

### FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

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

### **E. Encumbrances**

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

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

#### **1. Cash, Cash Equivalents and Investments**

##### **Cash and cash equivalents**

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

##### **Investments**

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

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

Investments for the district are reported at fair market value.

#### **2. Receivables and Payables**

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

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

#### **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**

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

### 9. Fund Balances

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

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

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

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

*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 District's management pursuant to authorization established by the District's School Board.

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

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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

### **Note 2 – Cash and Cash Equivalents and Cash With Fiscal Agents**

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

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

#### **Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,096,434 and \$673,668, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$4,423,772 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 \$5,000.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General fund	Limited tax note fund	\$ 254,242
	Bond issue retirement fund	203,582
	Other governmental funds	154,649
	Fiduciary funds	152,986
Limited tax notes fund	Other governmental funds	67,360
Bond issue retirement fund	Other governmental funds	11,483
Other governmental funds	General fund	194,354
	Bond issue retirement fund	94,297
	Other governmental funds	111,974
Fiduciary funds	General fund	31,665
	Other governmental funds	56,323
Total		<u>\$ 1,332,915</u>

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

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General fund	Limited tax note fund	\$ 101,865
	Other governmental funds	100,000
Other governmental funds	General fund	128,058
	Other governmental funds	343,508
Total		<u>\$ 673,431</u>

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$362,442, 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 balance, totaling \$184,563 and \$339,967, of the Bond Issue Retirement Fund and the Limited Tax Note Payable Fund, respectively.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$5,000, of the MAEP Limited Obligation Bond/Note Fund.

**Note 5 – Capital Assets**

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 602,643	\$ -	\$ -	\$ 602,643
Total non-depreciable capital assets	602,643	-	-	602,643
<u>Depreciable capital assets:</u>				
Buildings	11,497,444	-	-	11,497,444
Improvement other than buildings	629,300	-	-	629,300
Mobile equipment	1,284,701	-	-	1,284,701
Furniture and equipment	601,338	22,454	-	623,792
Total depreciable capital assets	14,012,783	22,454	-	14,035,237
<u>Less accumulated depreciation for:</u>				
Buildings	8,473,699	184,048	-	8,657,747
Improvement other than buildings	274,105	21,200	-	295,305
Mobile equipment	847,324	125,789	-	973,113
Furniture and equipment	515,485	16,503	-	531,988
Total accumulated depreciation	10,110,613	347,540	-	10,458,153
Total depreciable capital assets, net	3,902,170	(325,086)	-	3,577,084
Governmental activities capital assets, net	\$ 4,504,813	\$ (325,086)	\$ -	\$ 4,179,727

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 213,100
Support services	106,514
Non-instructional	27,926
Total depreciation expense - Governmental activities	\$ 347,540

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

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

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due Within one year
A. General obligation bonds payable	\$ 3,650,000	3,480,000	(3,650,000)	3,480,000	335,000
B. Limited obligation bonds payable	2,035,000	-	(215,000)	1,820,000	225,000
C. Limited tax notes payable	1,060,000	-	(155,000)	905,000	160,000
D. Compensated absences payable	91,338	8,517	-	99,855	-
<b>Total</b>	<b>6,836,338</b>	<b>3,488,517</b>	<b>(4,020,000)</b>	<b>6,304,855</b>	<b>720,000</b>
Less deferred amounts on issues	-	(21,819)	-	(21,819)	(2,424)
<b>Total - net</b>	<b>\$ 6,836,338</b>	<b>3,466,698</b>	<b>(4,020,000)</b>	<b>6,283,036</b>	<b>717,576</b>

**A. General obligations bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2011	1.00%-3.25%	6/7/2011	9/1/2020	\$ 3,480,000	\$ 3,480,000
<b>Total</b>				<b>\$ 3,480,000</b>	<b>\$ 3,480,000</b>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 335,000	\$ 54,324	\$ 389,324
2013	360,000	71,212	431,212
2014	365,000	65,762	430,762
2015	375,000	58,362	433,362
2016	385,000	50,762	435,762
2017-2021	1,660,000	101,346	1,761,346
<b>Total</b>	<b>\$ 3,480,000</b>	<b>\$ 401,768</b>	<b>\$ 3,881,768</b>

This debt will be retired from the Bond Issue Retirement Fund.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

On June 7, 2011, the School District issued \$3,480,000 in general obligation refunding bonds with an average interest rate of 2.599 percent to advance refund \$3,395,000, plus a \$26,748 premium on the issuance, of outstanding general obligation bonds with an average rate of 7.612 percent. The net proceeds of \$3,443,567 after payments of \$63,181 were used to redeem the outstanding general obligation bonds, series 2000 in the amount of \$3,395,000.

As a result, those general obligation bonds are considered defeased and the liability for those bonds has been removed from long-term liabilities.

The School District advance refunded the general obligation bonds to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$462,000 and to obtain an economic gain of approximately \$334,000.

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

**B. 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
State aid capital improvement, Series 1998	4.50%-5.87%	3/1/1998	3/1/2018	\$ 3,800,000	\$ 1,820,000
Total				<u>\$ 3,800,000</u>	<u>\$ 1,820,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 225,000	\$ 81,900	\$ 306,900
2013	235,000	71,775	306,775
2014	250,000	61,200	311,200
2015	260,000	49,950	309,950
2016	270,000	38,250	308,250
2017-2018	580,000	39,375	619,375
Total	<u>\$1,820,000</u>	<u>\$ 342,450</u>	<u>\$2,162,450</u>

This debt will be retired from the MAEP Bond Issue 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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

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

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.

**C. Limited tax notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2001	4.4%-5.7%	3/1/2001	3/1/2016	\$ 1,925,000	\$ 905,000
Total				<u>\$ 1,925,000</u>	<u>\$ 905,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 160,000	\$ 39,660	\$ 199,660
2013	170,000	32,780	202,780
2014	180,000	25,300	205,300
2015	190,000	17,380	207,380
2016	205,000	9,020	214,020
Total	<u>\$ 905,000</u>	<u>\$ 124,140</u>	<u>\$ 1,029,140</u>

This debt will be retired from the Limited Tax Note Fund.

**D. Compensated absences payable.**

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

**Note 7 – Sixteenth Section Lands**

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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

Year Ending June 30		Amount
2012	\$	32,000
2013		32,000
Total	\$	<u>64,000</u>

### Note 8 – Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,417,542, \$1,538,073 and \$1,497,058, respectively, which equaled the required contributions for each year.

### Note 9 – Contingencies

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

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

### Note 10 – 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 school district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers'

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 11 –Insurance Loss Recoveries**

The Yazoo City Municipal School District received \$7,821 in insurance loss recoveries related to storm damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenue.

REQUIRED SUPPLEMENTAL INFORMATION

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,968,829	\$ 1,514,222	\$ 1,514,221	\$ (454,607)	\$ (1)
Intermediate sources	-	25,834	25,834	25,834	-
State sources	11,532,923	10,524,189	10,524,189	(1,008,734)	-
Federal sources	116,750	181,323	181,323	64,573	-
<b>Total Revenues</b>	<b>13,618,502</b>	<b>12,245,568</b>	<b>12,245,567</b>	<b>(1,372,934)</b>	<b>(1)</b>
<b>Expenditures:</b>					
Instruction	9,768,692	7,324,247	7,324,716	2,444,445	(469)
Support services	3,743,641	4,321,648	4,321,648	(578,007)	-
Noninstructional services		312	310	(312)	2
Debt service:					
Principal	300	-	-	300	-
Interest	800	-	-	800	-
Other	1,240	-	-	1,240	-
<b>Total Expenditures</b>	<b>13,514,673</b>	<b>11,646,207</b>	<b>11,646,674</b>	<b>1,868,466</b>	<b>(467)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>103,829</b>	<b>599,361</b>	<b>598,893</b>	<b>495,532</b>	<b>(468)</b>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	7,821	7,821	7,821	-
Operating transfers in	136,953	151,503	128,058	14,550	(23,445)
Other financing sources	-	113,242	15,710	113,242	(97,532)
Operating transfers out	(47,155)	(277,327)	(201,865)	(230,172)	75,462
<b>Total Other Financing Sources (Uses)</b>	<b>89,798</b>	<b>(4,761)</b>	<b>(50,276)</b>	<b>(94,559)</b>	<b>(45,515)</b>
<b>Net Change in Fund Balances</b>	<b>193,627</b>	<b>594,600</b>	<b>548,617</b>	<b>400,973</b>	<b>(45,983)</b>
<b>Fund Balances:</b>					
July 1, 2010	1,064,545	1,064,545	1,064,545	-	-
June 30, 2011	\$ 1,258,172	\$ 1,659,145	\$ 1,613,162	\$ 400,973	\$ (45,983)

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

# YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(3) Budget Variances

The budget variances for General Fund are a result of auditor adjustments and do not result in state compliance violation.

SUPPLEMENTAL INFORMATION

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

*Supplemental Information*

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 408,064
National school lunch program	10.555	1,089,407
Total child nutrition cluster		<u>1,497,471</u>
Total passed-through Mississippi Department of Education		<u>1,497,471</u>
Total U.S. Department of Agriculture		<u>1,497,471</u>
<b><u>U.S. Department of Defense</u></b>		
Direct program:		
Reserve Officers' Training Corps	12.xxx	56,892
Total U.S. Department of Defense		<u>56,892</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	64,423
Total Federal Communications Commission		<u>64,423</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	67,099
Safe and drug-free schools and communities - state grants	84.186	6,888
Twenty-first century community learning centers	84.287	96,373
Reading first state grants	84.357	319,622
Rural education	84.358	84,226
Improving teacher quality state grants	84.367	350,341
School improvement grants	84.377	52,383
Education jobs fund	84.410	615,118
Subtotal		<u>1,592,050</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	2,536,874
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	555,370
Total Title I cluster		<u>3,092,244</u>
Special education cluster:		
Special education - grants to states	84.027	543,981
Special education - preschool grants	84.173	28,903
ARRA - Special education grants to states, Recovery Act	84.391	383,921
Total special education cluster		<u>956,805</u>
Education technology cluster:		
Education technology state grants	84.318	15,601
ARRA - Education technology state grants, Recovery Act	84.386	24,904
Total education technology cluster		<u>40,505</u>

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

Supplemental Information

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
Education for homeless children and youth cluster:		
Education for homeless children and youth	84.196	1,647
ARRA - Education for homeless children and youth, Recovery Act	84.387	968
Total Education for homeless children and youth cluster		<u>2,615</u>
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	823,737
Total State Fiscal Stabilization Fund cluster		<u>823,737</u>
Total passed-through Mississippi Department of Education		<u>6,507,956</u>
<b>Total U.S. Department of Education</b>		<u><b>6,507,956</b></u>
 <b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Health:		
Temporary assistance for needy families	93.558	94,246
Total passed-through Mississippi Department of Health		<u>94,246</u>
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	60,008
Total passed-through Mississippi Department of Education		<u>60,008</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><b>154,254</b></u>
 Total for All Federal Awards		 <u><b>\$ 8,280,996</b></u>

**NOTES TO SCHEDULE**

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

Supplemental Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 16,268,852	11,911,900	705,133	1,385,098	2,266,721
Other	5,614,305	2,866,997	276,331	8,115	2,462,862
<b>Total</b>	<b>\$ 21,883,157</b>	<b>14,778,897</b>	<b>981,464</b>	<b>1,393,213</b>	<b>4,729,583</b>
Total number of students *	2,212				
Cost per student	\$ 9,893	6,681	444	630	2,138

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

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

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

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

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

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

OTHER INFORMATION

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

Other Information

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 1,514,221	\$ 1,558,509	\$ 1,749,757	\$ 1,699,333
Intermediate sources	25,834	67,218	57,532	5,333
State sources	10,524,189	12,154,675	12,958,674	13,412,217
Federal sources	181,323	133,146	85,871	143,194
<b>Total Revenues</b>	<b>12,245,567</b>	<b>13,913,548</b>	<b>14,851,834</b>	<b>15,260,077</b>
<b>Expenditures:</b>				
Instruction	7,324,716	9,163,636	10,598,574	9,561,766
Support services	4,321,648	4,588,748	4,741,247	4,314,060
Noninstructional services	310	1,507	34,226	437
Debt service:				
Principal	-	-	60,294	194,657
Interest	-	-	835	69,176
<b>Total Expenditures</b>	<b>11,646,674</b>	<b>13,753,891</b>	<b>15,435,176</b>	<b>14,140,096</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>598,893</b>	<b>159,657</b>	<b>(583,342)</b>	<b>1,119,981</b>
<b>Other Financing Sources (Uses):</b>				
Insurance recoveries	7,821	-	9,688	35,883
Other financing sources	15,710	1,796	-	-
Operating transfers in	128,058	432,482	267,295	144,730
Operating transfers out	(201,865)	(675,365)	(53,753)	(1,077,942)
<b>Total Other Financing Sources (Uses)</b>	<b>(50,276)</b>	<b>(241,087)</b>	<b>223,230</b>	<b>(897,329)</b>
<b>Net Change in Fund Balances</b>	<b>548,617</b>	<b>(81,430)</b>	<b>(360,112)</b>	<b>222,652</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	1,064,545	1,145,975	1,506,087	503,085
Prior period adjustments	-	-	-	780,350
Beginning of period, as restated	1,064,545	1,145,975	1,506,087	1,283,435
<b>End of Period</b>	<b>\$ 1,613,162</b>	<b>\$ 1,064,545</b>	<b>\$ 1,145,975</b>	<b>\$ 1,506,087</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

Other Information

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 2,146,504	\$ 2,293,623	\$ 2,500,046	\$ 2,515,799
Intermediate sources	25,834	67,218	57,532	6,847
State sources	11,950,561	12,901,123	13,744,682	14,229,955
Federal sources	8,452,675	7,309,338	5,810,897	5,634,565
Sixteenth section sources	33,066	32,000	32,566	29,707
<b>Total Revenues</b>	<b>22,608,640</b>	<b>22,603,302</b>	<b>22,145,723</b>	<b>22,416,873</b>
<b>Expenditures:</b>				
Instruction	12,870,573	14,002,198	13,275,785	12,731,682
Support services	6,321,042	6,160,428	6,594,076	5,961,358
Noninstructional services	1,686,356	1,743,432	1,913,048	1,931,790
Debt service:				
Principal	625,000	595,000	674,182	734,657
Interest	316,391	342,564	321,285	618,285
Other	63,795	3,366	1,740	3,112
<b>Total Expenditures</b>	<b>21,883,157</b>	<b>22,846,988</b>	<b>22,780,116</b>	<b>21,980,884</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>725,483</b>	<b>(243,686)</b>	<b>(634,393)</b>	<b>435,989</b>
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	3,480,000	-	-	-
Premium on refunding bonds issued	26,748	-	-	-
Insurance loss recoveries	7,821	-	9,688	35,883
Other financing sources	15,710	1,796	-	-
Operating transfers in	673,431	1,121,905	788,702	1,222,672
Operating transfers out	(673,431)	(1,121,905)	(788,702)	(1,222,672)
Other financing uses	(13,840)	-	-	-
Payment to refunded bond escrow agent	(3,443,567)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>72,872</b>	<b>1,796</b>	<b>9,688</b>	<b>35,883</b>
<b>Net Change in Fund Balances</b>	<b>798,355</b>	<b>(241,890)</b>	<b>(624,705)</b>	<b>471,872</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	2,874,550	3,148,379	3,764,736	2,422,073
Prior period adjustments	-	(29,497)	(1,753)	880,725
<b>Beginning of period, as restated</b>	<b>2,874,550</b>	<b>3,118,882</b>	<b>3,762,983</b>	<b>3,302,798</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>(15,414)</b>	<b>(2,442)</b>	<b>10,101</b>	<b>(9,934)</b>
<b>End of Period</b>	<b>\$ 3,657,491</b>	<b>\$ 2,874,550</b>	<b>\$ 3,148,379</b>	<b>\$ 3,764,736</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

# CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board  
Yazoo City Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo City Municipal School District as of and for the year ended June 30, 2011, and have issued our report thereon dated January 23, 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 Yazoo City Municipal School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Yazoo City Municipal 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 Yazoo City Municipal School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Yazoo City Municipal School District's internal control over financial reporting.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. [Findings 2011-01 and 2011-02.]

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Yazoo City Municipal School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-3.

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

This report is intended solely for the information and use of the school board and management, 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.

  
Cunningham CPAs, PLLC

January 23, 2012

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

Superintendent and School Board  
Yazoo City Municipal School District

### Compliance

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

In our opinion, Yazoo City Municipal 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.

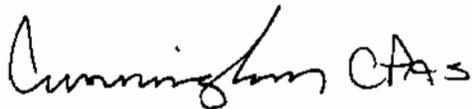
### Internal Control Over Compliance

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

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

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

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

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

Cunningham CPAs, PLLC

January 23, 2012

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

# CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board  
Yazoo City Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo City Municipal School District as of and for the year ended June 30, 2011, which collectively comprise Yazoo City Municipal School District's basic financial statements and have issued our report thereon dated January 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$5,125 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the instance of noncompliance described in Finding 2011-3 in the Schedule of Findings and Questioned Costs.

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

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

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

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

Cunningham CPAs, PLLC

January 23, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified   |
| 2. | Internal control over financial reporting:                   |               |
|    | a. Material weakness(es) identified?                         | Yes           |
|    | b. Significant deficiency(ies) identified?                   | None reported |
| 3. | Noncompliance material to the financial statements noted?    | Yes           |

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | No            |
|    | b. Significant deficiency(ies) identified?   | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No            |
| 7. | Identification of major programs:  |               |
|    | A. Title I - Grants to local educational agencies:   |               |
|    | CFDA #   | 84.010        |
|    | CFDA #   | 84.389        |
|    | B. ARRA - State Fiscal Stabilization - Education State Grants, Recovery Act  |               |
|    | CFDA #   | 84.394        |
|    | C. Special Education Cluster:  |               |
|    | CFDA #   | 84.027        |
|    | CFDA #   | 84.173        |
|    | CFDA #   | 84.391        |
|    | D. Reading first   |               |
|    | CFDA #   | 84.357        |
|    | E. Improving teacher quality - state grants  |               |
|    | CFDA #   | 84.367        |
|    | F. Education jobs fund   |               |
|    | CFDA #   | 84.410        |
|    | G. School improvement grants   |               |
|    | CFDA #   | 84.377        |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000    |
| 9. | Auditee qualified as a low-risk auditee?   | No            |

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

Section II: Financial Statement Findings

Significant Deficiencies Considered to Be Material Weaknesses

2011-01      Controls Surrounding the Reconciliation of Debt Service Accounts

Finding

The district does not have procedures in place to ensure that all debt service activity is properly accounted for.

During our testing, we found that the transactions within the MAEP limited obligation debt service fund were not properly recorded. This resulted in a material misstatement of approximately \$200,000.

An audit adjustment was proposed and made by management to properly record these transactions.

Recommendation

We recommend that the district put procedures in place to ensure that all transactions of the district are reflected within the financial statements.

2011-02      Controls Surrounding Capital Assets

Finding

The district has a weakness in controls surrounding the reporting of capital assets.

During our testing of capital assets, we found that the beginning balances on the capital asset subsidiary ledger did not agree with prior year data. In addition, we noted current year capital asset purchases that were not included as capital asset additions on the subsidiary ledger. Our testing indicated an overall weakness in recording, maintaining, and reporting capital assets.

An audit adjustment was proposed and made by management to properly record these transactions.

Recommendation

We recommend that the district take greater care in maintaining and preparing its capital asset subsidiary ledger. This includes ensuring all capital asset expenditures are properly reported. The district should also put procedures in place to ensure that all inventory items that exceed the capitalization thresholds are included in capital assets and are being depreciated over their estimated useful lives.

YAZOO CITY MUNICIPAL SCHOOL DISTRICT

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

Material Noncompliance with State Laws and Regulations

2011-03      Adoption of Final Amended Budget

Finding

Section 37-61-19, Miss. Code Ann. (1972), states that the final amended budget is to be legally adopted by the school board on or before October 15.

During our testing of the district's compliance with state laws and regulations, we found that the final amended budget for 2010-2011 was not presented to the school board for legal adoption until January 13, 2012.

Recommendation

We recommend that the district comply with Section 37-61-19, Miss. Code Ann. (1972), and present the final amended budget to the school board for legal adoption on or before October 15<sup>th</sup> of each year.

Section III: Federal Award Findings and Questioned Costs

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

**YAZOO CITY MUNICIPAL SCHOOL DISTRICT**

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**AUDITEE'S CORRECTIVE ACTION PLAN**

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

<u>Finding</u>	<u>Correction Action Plan Details</u>
2011-01	<p>a. Name of Contact Person Responsible for Corrective Action: Bernita Washington, Business Manager, 662-746-2125</p> <p>b. Corrective Action Planned: We will put controls in place to ensure that the district properly reflects all debt service transactions.</p> <p>c. Anticipated Completion Date: Immediately.</p>
2011-02	<p>a. Name of Contact Person Responsible for Corrective Action: Bernita Washington, Business Manager, 662-746-2125</p> <p>b. Corrective Action Planned: We will put procedures in place to ensure the district's capital asset subsidiary ledger is accurate and includes all the appropriate current year transactions.</p> <p>c. Anticipated Completion Date: Immediately.</p>
2011-03	<p>a. Name of Contact Person Responsible for Corrective Action: Bernita Washington, Business Manager, 662-746-2125</p> <p>b. Corrective Action Planned: We will put procedures in place to ensure the district complies with Section 37-61-19, Miss. Code Ann. (1972), and will present the final amended budget to the school board for legal adoption on or before October 15 of each year.</p> <p>c. Anticipated Completion Date: Immediately.</p>