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YAZOO COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

For The Year Ended June 30, 2011

CUNNINGHAM CPAs, PLLC
Certified Public Accountants

YAZOO COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Yazoo County School District

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

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

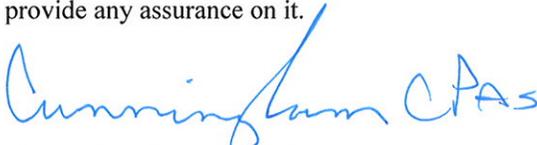
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo County School District, as of June 30, 2011, and the respective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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011, on our consideration of the Yazoo County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



Cunningham CPAs, PLLC

December 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

YAZOO COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$1,121,189, including a prior period adjustment of \$15,837, which represents a 9% increase from fiscal year 2010. Total net assets for 2010 increased \$791,237, which represents a 7% increase from fiscal year 2009.
- General revenues amounted to \$13,318,970 and \$13,810,242, or 78% and 76% 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 \$3,774,177, or 22% of total revenues for 2011, and \$4,407,047, or 24% of total revenues for 2010.
- The District had \$15,987,795 and \$17,426,052 in expenses for fiscal years 2011 and 2010; only \$3,774,177 for 2011 and \$4,407,047 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,318,970 for 2011 and \$13,810,242 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,022,839 in revenues and \$11,228,347 in expenditures for 2011, and \$11,304,361 in revenues and \$12,145,506 in expenditures in 2010. The General Fund's fund balance increased by \$577,156, from 2010 to 2011, and decreased by \$286,535, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$493,557, including a prior period adjustment of \$15,837, for 2011 and decreased by \$11,625 for 2010. The decrease for 2011 was primarily due to current year depreciation.
- Long-term debt decreased by \$655,744 for 2011 and decreased by \$346,385 for 2010. The decrease in 2011 was primarily due to the repayment of the debt as required by the amortization schedules. The liability for compensated absences decreased by \$14,989 for 2011 and increased by \$21,722 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 COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$14,024,804 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 COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 3,374,187	\$ 2,999,023	12.51 %
Restricted assets	1,740,918	1,122,521	55.09 %
Capital assets, net	14,146,966	14,640,523	(3.37) %
Total assets	<u>19,262,071</u>	<u>18,762,067</u>	2.66 %
Current liabilities	183,702	134,154	36.93 %
Long-term debt outstanding	5,053,565	5,724,298	(11.72) %
Total liabilities	<u>5,237,267</u>	<u>5,858,452</u>	(10.60) %
Net assets:			
Invested in capital assets, net of related debt	9,623,985	9,502,643	1.28 %
Restricted	2,321,766	1,915,401	21.22 %
Unrestricted	2,079,053	1,485,571	39.95 %
Total net assets	<u>\$ 14,024,804</u>	<u>\$ 12,903,615</u>	8.69 %

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 \$493,557.
- The principal retirement of \$830,943 of long-term debt.
- Issued a \$175,199 short fall note payable.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$17,093,147 and \$18,217,289, respectively. The total cost of all programs and services was \$15,987,795 for 2011 and \$17,426,052 for 2010.

YAZOO COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

Table 2
Changes in Net Assets

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 362,233	\$ 406,268	(10.84) %
Operating grants and contributions	3,411,944	4,000,779	(14.72) %
General revenues:			
Property taxes	4,527,256	4,301,592	5.25 %
Grants and contributions not restricted	7,270,115	7,753,826	(6.24) %
Investment earnings	33,187	148,516	(77.65) %
Sixteenth section sources	1,297,125	1,556,811	(16.68) %
Other	191,287	49,497	286.46 %
Total revenues	<u>17,093,147</u>	<u>18,217,289</u>	(6.17) %
Expenses:			
Instruction	7,601,770	8,259,315	(7.96) %
Support services	6,942,816	7,414,259	(6.36) %
Non-instructional	1,143,857	1,212,453	(5.66) %
Sixteenth section	59,795	272,367	(78.05) %
Interest and other expenses on long-term liabilities	239,557	267,658	(10.50) %
Total expenses	<u>15,987,795</u>	<u>17,426,052</u>	(8.25) %
Increase (Decrease) in net assets	<u>1,105,352</u>	<u>791,237</u>	39.70 %
Net Assets, July 1, as originally reported	<u>12,903,615</u>	<u>12,112,378</u>	6.53 %
Prior period adjustments	<u>15,837</u>	-	N/A %
Net Assets, July 1, as restated	<u>12,919,452</u>	<u>12,112,378</u>	6.66 %
Net Assets, June 30,	<u>\$ 14,024,804</u>	<u>\$ 12,903,615</u>	8.69 %

Governmental activities

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

YAZOO COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 7,601,770	\$ 8,259,315	(7.96) %
Support services	6,942,816	7,414,259	(6.36) %
Non-instructional	1,143,857	1,212,453	(5.66) %
Sixteenth section	59,795	272,367	(78.05) %
Interest on long-term liabilities and other debt service costs	239,557	267,658	(10.50) %
Total expenses	\$ 15,987,795	\$ 17,426,052	(8.25) %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (5,796,022)	\$ (6,321,003)	(8.31) %
Support services	(6,182,413)	(6,093,401)	1.46 %
Non-instructional	64,169	(64,576)	(199.37) %
Sixteenth section	(59,795)	(272,367)	(78.05) %
Interest on long-term liabilities and other debt service costs	(239,557)	(267,658)	(10.50) %
Total net (expense) revenue	\$ (12,213,618)	\$ (13,019,005)	(6.19) %

- Net cost of governmental activities (\$12,213,618 for 2011 and \$13,019,005 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$4,527,256 for 2011 and \$4,301,592 for 2010) and state and federal revenues (\$7,270,115 for 2011 and \$7,753,826 for 2010). In addition, there was \$1,297,125 and \$1,556,811 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$33,187 for 2011 and \$148,516 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,974,390, an increase of \$936,794, which includes an increase in inventory of \$15,761. \$2,591,863 or 52% 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 \$2,382,527 or 48% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

YAZOO COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$577,156. The fund balance of Other Governmental Funds showed a decrease in the amount of \$173,882, which includes an increase in reserve for inventory of \$15,761, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	No change
16th Section Principal Fund	\$ 533,520

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$19,710,084, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$128,337 from 2010. Total accumulated depreciation as of June 30, 2011, was \$5,563,118, and total depreciation expense for the year was \$546,800, resulting in total net capital assets of \$14,146,966.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 413,786	\$ 413,786	0.00 %
Buildings	12,448,879	12,760,634	(2.44) %
Building improvements	439,376	475,149	(7.53) %
Improvements other than buildings	500,315	518,094	(3.43) %
Mobile equipment	129,132	148,427	(13.00) %
Furniture and equipment	215,478	324,433	(33.58) %
Total	\$ 14,146,966	\$ 14,640,523	(3.37) %

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

YAZOO COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Debt Administration. At June 30, 2011, the District had \$5,053,565 in outstanding long-term debt, of which \$870,554 is due within one year. The liability for compensated absences decreased \$14,989 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</u> <u>Change</u>
Limited obligation bonds payable	\$ 285,000	\$ 475,000	(40.00) %
Trust certificate payable	2,520,000	2,775,000	(9.19) %
Three mill notes payable	1,535,000	1,760,000	(12.78) %
Qualified school construction bonds payable	200,755	200,755	0.00 %
Shortfall notes payable	359,757	345,501	4.13 %
Compensated absences payable	153,053	168,042	(8.92) %
Total	\$ 5,053,565	\$ 5,724,298	(11.72) %

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

CURRENT ISSUES

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

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

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

Enrollment for 2010-2011 year decreased by 2% to 1,724 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 County School District, Post Office Box 1088, Yazoo City, Mississippi 39194.

FINANCIAL STATEMENTS

YAZOO COUNTY SCHOOL DISTRICT

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

Exhibit A

	<u>Governmental Activities</u>	
Assets		
Cash and cash equivalents	\$	2,597,744
Due from other governments		734,846
Inventories		41,597
Restricted assets		1,740,918
Capital assets, non-depreciable:		
Land		413,786
Capital assets, net of accumulated depreciation:		
Buildings		12,448,879
Building improvements		439,376
Improvements other than buildings		500,315
Mobile equipment		129,132
Furniture and equipment		215,478
Total Assets		<u>19,262,071</u>
Liabilities		
Accounts payable and accrued liabilities		135,667
Unearned revenue		5,048
Interest payable on long-term liabilities		42,987
Long-term liabilities, due within one year:		
Capital related liabilities		695,000
Non-capital related liabilities		175,554
Long-term liabilities, due beyond one year:		
Capital related liabilities		3,845,755
Non-capital related liabilities		337,256
Total Liabilities		<u>5,237,267</u>
Net Assets		
Invested in capital assets, net of related debt		9,623,985
Restricted for:		
Expendable:		
School-based activities		430,192
Debt service		430,700
Forestry improvements		57,641
Unemployment benefits		30,727
Non-expendable:		
Sixteenth section		1,372,506
Unrestricted		2,079,053
Total Net Assets	\$	<u>14,024,804</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 7,601,770	222,665	1,583,083	-	(5,796,022)
Support services	6,942,816	-	760,403	-	(6,182,413)
Non-instructional	1,143,857	139,568	1,068,458	-	64,169
Sixteenth section	59,795	-	-	-	(59,795)
Interest on long-term liabilities and other debt service costs	239,557	-	-	-	(239,557)
Total Governmental Activities	\$ 15,987,795	362,233	3,411,944	-	(12,213,618)
General Revenues:					
Taxes:					
					4,099,728
					427,528
Unrestricted grants and contributions:					
					6,716,212
					553,903
					33,187
					1,297,125
					191,287
					<u>13,318,970</u>
					1,105,352
					12,903,615
					15,837
					<u>12,919,452</u>
					<u>\$ 14,024,804</u>

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

YAZOO COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	16th Section Principal Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 2,049,071	\$ -	\$ 1,362,552	\$ 810,347	\$ 4,221,970
Cash with fiscal agents	-	-	-	10,000	10,000
Investments	-	-	-	106,692	106,692
Due from other governments	244,237	205,318	9,954	274,559	734,068
Due from other funds	343,464	-	-	-	343,464
Inventories	-	-	-	41,597	41,597
Total Assets	<u>\$ 2,636,772</u>	<u>\$ 205,318</u>	<u>\$ 1,372,506</u>	<u>\$ 1,243,195</u>	<u>\$ 5,457,791</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 44,909	\$ 794	\$ -	\$ 89,964	\$ 135,667
Due to other funds	-	204,524	-	138,162	342,686
Unearned revenue	-	-	-	5,048	5,048
Total Liabilities	<u>44,909</u>	<u>205,318</u>	<u>-</u>	<u>233,174</u>	<u>483,401</u>
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	41,597	41,597
Permanent fund principal	-	-	1,372,506	-	1,372,506
Restricted:					
Debt service	-	-	-	473,687	473,687
Capital projects	-	-	-	17,774	17,774
Unemployment benefits	-	-	-	30,727	30,727
Forestry improvement purposes	-	-	-	57,641	57,641
Other commitments	-	-	-	88,646	88,646
Assigned:					
Special revenue funds	-	-	-	299,949	299,949
Unassigned	<u>2,591,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,591,863</u>
Total Fund Balances	<u>2,591,863</u>	<u>-</u>	<u>1,372,506</u>	<u>1,010,021</u>	<u>4,974,390</u>
Total Liabilities and Fund Balances	<u>\$ 2,636,772</u>	<u>\$ 205,318</u>	<u>\$ 1,372,506</u>	<u>\$ 1,243,195</u>	<u>\$ 5,457,791</u>

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

YAZOO COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 4,974,390

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	\$ 413,786	
Buildings	16,111,353	
Building improvements	914,601	
Improvements other than buildings	743,373	
Mobile equipment	406,100	
Furniture and equipment	1,120,871	
Accumulated depreciation	<u>(5,563,118)</u>	14,146,966

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

Limited obligation bonds	(285,000)	
Trust certificates payable	(2,520,000)	
Three mill notes payable	(1,535,000)	
Shortfall notes payable	(359,757)	
Qualified school construction bonds	(200,755)	
Compensated absences	(153,053)	
Accrued interest payable	<u>(42,987)</u>	<u>(5,096,552)</u>

Net assets of governmental activities \$ 14,024,804

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

YAZOO COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	16th Section Principal Fund		
Revenues:					
Local sources	\$ 4,362,615	\$ 120	\$ -	\$ 622,801	\$ 4,985,536
State sources	6,532,673	-	-	429,674	6,962,347
Federal sources	127,551	1,098,716	-	2,493,445	3,719,712
Sixteenth section sources	-	-	541,710	776,038	1,317,748
Total Revenues	11,022,839	1,098,836	541,710	4,321,958	16,985,343
Expenditures:					
Instruction	5,655,721	568,170	-	1,390,306	7,614,197
Support services	5,570,185	414,636	-	421,468	6,406,289
Noninstructional services	2,441	116,030	-	1,051,001	1,169,472
Sixteenth section	-	-	159	59,636	59,795
Facilities acquisition and construction	-	-	-	34,929	34,929
Debt service:					
Principal	-	-	-	830,943	830,943
Interest	-	-	-	241,417	241,417
Other	-	-	-	5,359	5,359
Total Expenditures	11,228,347	1,098,836	159	4,035,059	16,362,401
Excess (Deficiency) of Revenues over (under) Expenditures	(205,508)	-	541,551	286,899	622,942
Other Financing Sources (Uses):					
Bonds and notes issued	175,199	-	-	-	175,199
Insurance recoveries	131,252	-	-	-	131,252
Operating transfers in	490,478	-	22	460,961	951,461
Other financing sources	2,002	-	-	-	2,002
Transfer from QSCB debt service agent	-	-	-	10,000	10,000
Operating transfers out	(6,805)	-	(8,053)	(936,603)	(951,461)
Other financing uses	(9,462)	-	-	(900)	(10,362)
Payment to QSCB escrow agent	-	-	-	(10,000)	(10,000)
Total Other Financing Sources (Uses)	782,664	-	(8,031)	(476,542)	298,091
Net Change in Fund Balances	577,156	-	533,520	(189,643)	921,033
Fund Balances:					
July 1, 2010	2,014,707	-	838,986	1,183,903	4,037,596
Increase in reserve for inventory	-	-	-	15,761	15,761
June 30, 2011	\$ 2,591,863	\$ -	\$ 1,372,506	\$ 1,010,021	\$ 4,974,390

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

YAZOO COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 921,033

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

- 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	\$ 52,494	
Depreciation expense	(546,800)	(494,306)

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

(15,088)

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

Bonds and notes issued	(175,199)	
Payments of debt principal	830,943	
Accrued interest payable	7,219	662,963

- 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	14,989	
Change in inventory reserve	15,761	30,750

Change in net assets of governmental activities \$ 1,105,352

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

YAZOO COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 697,493
Total Assets	<u>\$ 697,493</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 669,103
Due to student clubs	27,612
Due to other funds	778
Total Liabilities	<u>\$ 697,493</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or

YAZOO COUNTY SCHOOL DISTRICT

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

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

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

The school district reports the following major governmental funds:

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

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

16th Section Principal Fund - This is the sixteenth section fund used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the district's programs.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental 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 extent that only earnings, and not the principal, may be used for purposes that support the district's

YAZOO COUNTY SCHOOL DISTRICT

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

programs.

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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 COUNTY 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

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories

YAZOO COUNTY SCHOOL DISTRICT

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

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed

YAZOO COUNTY SCHOOL DISTRICT

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

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 these unrestricted classifications could be used, it is the District's general policy to spend committed

YAZOO COUNTY SCHOOL DISTRICT

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

resources first, followed by assigned amounts, and then unassigned amounts.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,221,970 and \$697,493, 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 \$5,448,812 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 \$10,000.

YAZOO COUNTY SCHOOL DISTRICT

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

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government Securities	AA	1 to 5	\$ <u>106,692</u>
Total			\$ <u><u>106,692</u></u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2011, the district did not have any investments to which this would apply.

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U.S. Government Securities	\$ <u>106,692</u>	100%
Total	\$ <u><u>106,692</u></u>	

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Title I fund	\$ 204,524
	Other governmental funds	138,162
	Fiduciary funds	<u>778</u>
Total		\$ <u><u>343,464</u></u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 6,805
16th section principal fund	Other governmental funds	8,053
Other governmental funds	General fund	490,478
	16th section principal fund	22
	Other governmental funds	446,103
		<hr/>
Total		<u>\$ 951,461</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$1,362,552, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance, totaling \$106,692, of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash balance, totaling \$17,774, of the unspent Qualified School Construction Bond proceeds and the cash with fiscal agents balance, totaling \$10,000, of the Qualified School Construction Bonds sinking fund.

Also, the restricted assets represent the cash balance, totaling \$181,213 and \$62,687, respectively, of the shortfall notes payable debt service funds and the trust certificates payable debt service fund.

YAZOO COUNTY SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 413,786	\$ -	\$ -	\$ -	\$ 413,786
Total non-depreciable capital assets	413,786	-	-	-	413,786
<u>Depreciable capital assets:</u>					
Buildings	16,111,353	-	-	-	16,111,353
Building improvements	914,601	-	-	-	914,601
Improvements other than buildings	743,373	-	-	-	743,373
Mobile equipment	513,397	-	(121,892)	14,595	406,100
Furniture and equipment	1,141,911	52,494	(58,939)	(14,595)	1,120,871
Total depreciable capital assets	19,424,635	52,494	(180,831)	-	19,296,298
<u>Less accumulated depreciation for:</u>					
Buildings	3,350,719	311,755	-	-	3,662,474
Building improvements	439,452	23,817	-	11,956	475,225
Improvements other than buildings	225,279	29,735	-	(11,956)	243,058
Mobile equipment	364,970	19,824	(109,703)	1,877	276,968
Furniture and equipment	817,478	161,669	(56,040)	(17,714)	905,393
Total accumulated depreciation	5,197,898	546,800	(165,743)	(15,837)	5,563,118
Total depreciable capital assets, net	14,226,737	(494,306)	(15,088)	15,837	13,733,180
Governmental activities capital assets, net	\$ 14,640,523	\$ (494,306)	\$ (15,088)	\$ 15,837	\$ 14,146,966

Adjustments were made to correct errors in prior year depreciation expense.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 10,558
Support services	531,388
Non-instructional	4,854
Total depreciation expense - Governmental activities	\$ 546,800

YAZOO COUNTY SCHOOL DISTRICT

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due Within one year
A. Limited obligation bonds payable	\$ 475,000	-	(190,000)	285,000	200,000
B. Trust certificate payable	2,775,000	-	(255,000)	2,520,000	265,000
C. Three mill notes payable	1,760,000	-	(225,000)	1,535,000	230,000
D. Qualified school construction bonds	200,755	-	-	200,755	-
E. Shortfall notes payable	345,501	175,199	(160,943)	359,757	175,554
F. Compensated absences payable	168,042	-	(14,989)	153,053	-
Total	<u>\$ 5,724,298</u>	<u>175,199</u>	<u>(845,932)</u>	<u>5,053,565</u>	<u>870,554</u>

A. Limited obligations bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvements, Series 1998	4.3%-5.7%	2/1/1998	2/13/2013	\$ 1,760,000	\$ 285,000
Total				<u>\$ 1,760,000</u>	<u>\$ 285,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 200,000	\$ 12,825	\$ 212,825
2013	85,000	3,825	88,825
Total	<u>\$ 285,000</u>	<u>\$ 16,650</u>	<u>\$ 301,650</u>

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

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the

YAZOO COUNTY SCHOOL DISTRICT

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

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

B. Trust certificates payable

Debt currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Trust certificates, Series 2003	2.3%-5.15%	5/28/2002	5/19/2019	\$ 4,500,000	\$ 2,520,000
Total				<u>\$ 4,500,000</u>	<u>\$ 2,520,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 265,000	\$ 123,562	\$ 388,562
2013	280,000	111,505	391,505
2014	290,000	98,485	388,485
2015	305,000	84,710	389,710
2016	320,000	69,918	389,918
2017-2019	<u>1,060,000</u>	<u>110,293</u>	<u>1,170,293</u>
Total	<u>\$2,520,000</u>	<u>\$ 598,473</u>	<u>\$3,118,473</u>

This debt will be retired from trust certificate debt service fund.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note	2.40%-4.55%	1/1/2001	12/1/2016	\$ 3,580,000	\$ 1,535,000
Total				<u>\$ 3,580,000</u>	<u>\$ 1,535,000</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 230,000	\$ 61,483	\$ 291,483
2013	240,000	51,932	291,932
2014	250,000	41,670	291,670
2015	260,000	30,670	290,670
2016	270,000	18,975	288,975
2017	285,000	6,484	291,484
Total	<u>\$1,535,000</u>	<u>\$ 211,214</u>	<u>\$ 1,746,214</u>

This debt will be retired from the three mill note retirement fund.

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable	0.65%	12/29/2009	9/15/2024	\$ 200,755	\$ 200,755
Total				<u>\$ 200,755</u>	<u>\$ 200,755</u>

E. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2008 Shortfall note	4.00%	8/7/2008	8/5/2011	\$ 162,107	\$ 56,180
2009 Shortfall note	3.75%	8/5/2009	8/5/2012	189,066	128,378
2010 Shortfall note	3.50%	8/10/2010	8/10/2013	175,199	175,199
Total				<u>\$ 526,372</u>	<u>\$ 359,757</u>

YAZOO COUNTY SCHOOL DISTRICT

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

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

2008 Shortfall Note			
Year Ending June 30	Principal	Interest	Total
2012	\$ 56,180	\$ 2,279	\$ 58,459
Total	<u>\$ 56,180</u>	<u>\$ 2,279</u>	<u>\$ 58,459</u>

2009 Shortfall Note			
Year Ending June 30	Principal	Interest	Total
2012	\$ 62,995	\$ 7,188	\$ 70,183
2013	65,383	2,493	67,876
Total	<u>\$ 128,378</u>	<u>\$ 9,681</u>	<u>\$ 138,059</u>

2010 Shortfall Note			
Year Ending June 30	Principal	Interest	Total
2012	\$ 56,379	\$ 6,217	\$ 62,596
2013	58,368	4,228	62,596
2014	60,452	2,145	62,597
Total	<u>\$ 175,199</u>	<u>\$ 12,590</u>	<u>\$ 187,789</u>

Total Shortfall Notes			
Year Ending June 30	Principal	Interest	Total
2012	\$ 175,554	\$ 15,684	\$ 191,238
2013	123,751	6,721	130,472
2014	60,452	2,145	62,597
Total	<u>\$ 359,757</u>	<u>\$ 24,550</u>	<u>\$ 384,307</u>

F. 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.

YAZOO COUNTY SCHOOL DISTRICT

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

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.

Year Ending June 30	Amount
2012	\$ 569,762
2013	396,429
2014	303,285
2015	181,313
2016	13,064
2017 – 2021	64,266
2022 – 2026	9,355
2027 – 2031	5,597
2032 – 2036	1,075
Thereafter	2,200
Total	<u>\$ 1,546,346</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 \$991,818, \$1,060,788 and \$996,341, 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

YAZOO COUNTY SCHOOL DISTRICT

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

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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

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

Note 11 - Trust Certificates.

A trust agreement dated May 28, 2002 was executed by and between the school district and The Peoples Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$4,500,000. Approximately \$4,432,500 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$67,500 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

YAZOO COUNTY SCHOOL DISTRICT

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

Note 12 - Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated August 9, 1956, creating the Yazoo City Vocational School. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Yazoo City School District and the Yazoo County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Yazoo City School District has been designated as the fiscal agent for the Yazoo City Vocational School and the operations of the consortium are included in its financial statements.

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit with the escrow agent at June 30, 2011 was \$10,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending		Amount
June 30		
2012	\$	10,000
2013		11,000
2014		11,000
2015		11,000
2016		11,000
2017 – 2021		81,508
2022 – 2024		70,505
Total	\$	<u>206,013</u>

Note 14 - Insurance loss recoveries

The Yazoo County School District received \$131,252 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.

YAZOO COUNTY SCHOOL DISTRICT

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

Note 15 – Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct errors in prior year accumulated depreciation.	<u>\$ 15,837</u>
Total	<u>\$ 15,837</u>

REQUIRED SUPPLEMENTAL INFORMATION

YAZOO COUNTY SCHOOL DISTRICT

Required Supplemental Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,500,130	\$ 4,362,615	\$ 4,362,615	\$ (137,515)	\$ -
State sources	6,976,022	6,532,673	6,532,673	(443,349)	-
Federal sources	222,180	127,551	127,551	(94,629)	-
Total Revenues	<u>11,698,332</u>	<u>11,022,839</u>	<u>11,022,839</u>	<u>(675,493)</u>	<u>-</u>
Expenditures:					
Instruction	6,653,480	5,698,578	5,655,721	954,902	42,857
Support services	5,849,868	5,586,534	5,570,185	263,334	16,349
Noninstructional services	2,963	2,441	2,441	522	-
Total Expenditures	<u>12,506,311</u>	<u>11,287,553</u>	<u>11,228,347</u>	<u>1,218,758</u>	<u>59,206</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(807,979)</u>	<u>(264,714)</u>	<u>(205,508)</u>	<u>543,265</u>	<u>59,206</u>
Other Financing Sources (Uses):					
Insurance recoveries	-	131,252	131,252	131,252	-
Bonds and notes issued	-	175,199	175,199	175,199	-
Operating transfers in	619,902	541,077	490,478	(78,825)	(50,599)
Other financing sources	-	2,002	2,002	2,002	-
Operating transfers out	(186,427)	(57,404)	(6,805)	129,023	50,599
Other financing sources	-	-	(9,462)	-	(9,462)
Total Other Financing Sources (Uses)	<u>433,475</u>	<u>792,126</u>	<u>782,664</u>	<u>358,651</u>	<u>(9,462)</u>
Net Change in Fund Balances	<u>(374,504)</u>	<u>527,412</u>	<u>577,156</u>	<u>901,916</u>	<u>49,744</u>
Fund Balances:					
July 1, 2010	<u>2,014,707</u>	<u>2,014,707</u>	<u>2,014,707</u>	<u>-</u>	<u>-</u>
June 30, 2011	<u>\$ 1,640,203</u>	<u>\$ 2,542,119</u>	<u>\$ 2,591,863</u>	<u>\$ 901,916</u>	<u>\$ 49,744</u>

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

YAZOO COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 120	\$ 120	\$ 120	\$ -
Federal sources	1,047,718	1,304,523	1,098,716	256,805	(205,807)
Total Revenues	<u>1,047,718</u>	<u>1,304,643</u>	<u>1,098,836</u>	<u>256,925</u>	<u>(205,807)</u>
Expenditures:					
Instruction	591,818	626,766	568,170	(34,948)	58,596
Support services	335,726	533,034	414,636	(197,308)	118,398
Noninstructional services	120,174	136,481	116,030	(16,307)	20,451
Total Expenditures	<u>1,047,718</u>	<u>1,296,281</u>	<u>1,098,836</u>	<u>(248,563)</u>	<u>197,445</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>8,362</u>	<u>-</u>	<u>8,362</u>	<u>(8,362)</u>
Other Financing Sources (Uses):					
Operating transfers out	-	(8,362)	-	(8,362)	8,362
Total Other Financing Sources (Uses)	<u>-</u>	<u>(8,362)</u>	<u>-</u>	<u>(8,362)</u>	<u>8,362</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

YAZOO COUNTY SCHOOL DISTRICT

Supplemental Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 250,992
National school lunch program	10.555	655,539
Total child nutrition cluster		<u>906,531</u>
Total passed-through Mississippi Department of Education		<u>906,531</u>
Total U.S. Department of Agriculture		<u>906,531</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.xxx	73,237
Total U.S. Department of Defense		<u>73,237</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	54,315
Total Federal Communications Commission		<u>54,315</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - state grants	84.186	13,639
Education technology state grants	84.318	8,180
Rural education	84.358	29,442
Improving teacher quality state grants	84.367	194,189
ARRA - Education technology state grants, Recovery Act	84.386	9,398
Education jobs fund	84.410	318,373
Subtotal		<u>573,221</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,125,997
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	61,787
Total Title I cluster		<u>1,187,784</u>
Special education cluster:		
Special education - grants to states	84.027	295,851
Special education - preschool grants	84.173	10,560
ARRA - Special education grants to states, Recovery Act	84.391	163,765
ARRA - Special education - preschool grants, Recovery Act	84.392	8,239
Total special education cluster		<u>478,415</u>
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	426,351
Total State Fiscal Stabilization Fund cluster		<u>426,351</u>
Total passed-through Mississippi Department of Education		<u>2,665,771</u>
Total U.S. Department of Education		<u>2,665,771</u>
Total for All Federal Awards		<u>\$ 3,699,854</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 COUNTY SCHOOL DISTRICT

Supplemental Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,062,824	8,239,587	733,729	938,552	1,150,956
Other	5,309,577	843,362	314,209	42,923	4,109,083
Total	\$ 16,372,401	9,082,949	1,047,938	981,475	5,260,039
 Total number of students *	 1,517				
 Cost per student	 \$ 10,793	 5,988	 691	 647	 3,467

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 COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 4,362,615	\$ 4,202,105	\$ 3,988,366	\$ 4,019,891
State sources	6,532,673	6,587,484	7,271,208	7,542,107
Federal sources	127,551	514,772	118,547	129,364
Total Revenues	11,022,839	11,304,361	11,378,121	11,691,362
Expenditures:				
Instruction	5,655,721	6,197,632	6,549,856	6,680,721
Support services	5,570,185	5,922,822	5,233,774	5,213,804
Noninstructional services	2,441	3,182	4,891	2,616
Facilities acquisition and construction	-	21,870	43,496	-
Total Expenditures	11,228,347	12,145,506	11,832,017	11,897,141
Excess (Deficiency) of Revenues over (under) Expenditures	(205,508)	(841,145)	(453,896)	(205,779)
Other Financing Sources (Uses):				
Bonds and notes issued	175,199	189,066	162,107	132,875
Insurance recoveries	131,252	12,540	-	-
Sale of transportation equipment	-	1,588	-	-
Operating transfers in	490,478	399,556	346,657	489,289
Other financing sources	2,002	-	548	-
Operating transfers out	(6,805)	(48,072)	(93,097)	(89,532)
Other financing uses	(9,462)	(68)	-	-
Total Other Financing Sources (Uses)	782,664	554,610	416,215	532,632
Net Change in Fund Balances	577,156	(286,535)	(37,681)	326,853
Fund Balances:				
Beginning of period, as originally reported	2,014,707	2,301,242	2,338,923	2,011,197
Prior period adjustments	-	-	-	873
Beginning of period, as restated	2,014,707	2,301,242	2,338,923	2,012,070
End of Period	\$ 2,591,863	\$ 2,014,707	\$ 2,301,242	\$ 2,338,923

*SOURCE - PRIOR YEAR AUDIT REPORTS

YAZOO COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 4,985,536	\$ 4,808,221	\$ 4,521,284	\$ 4,541,159
State sources	6,962,347	7,008,918	7,676,465	8,001,533
Federal sources	3,719,712	4,745,690	2,843,137	2,631,920
Sixteenth section sources	1,317,748	1,651,976	1,034,984	842,431
Total Revenues	16,985,343	18,214,805	16,075,870	16,017,043
Expenditures:				
Instruction	7,614,197	8,308,970	7,815,579	7,834,890
Support services	6,406,289	7,245,693	5,986,671	5,916,645
Noninstructional services	1,169,472	1,202,385	1,137,764	1,089,122
Sixteenth section	59,795	272,367	109,149	104,293
Facilities acquisition and construction	34,929	101,753	43,496	-
Debt service:				
Principal	830,943	736,206	652,342	658,957
Interest	241,417	264,786	285,323	305,369
Other	5,359	5,156	5,128	5,256
Total Expenditures	16,362,401	18,137,316	16,035,452	15,914,532
Excess (Deficiency) of Revenues over (under) Expenditures	622,942	77,489	40,418	102,511
Other Financing Sources (Uses):				
Bonds and notes issued	175,199	389,821	162,107	132,875
Insurance loss recoveries	131,252	12,540	-	-
Sale of transportation equipment	-	1,588	-	-
Transfer from QSCB debt service agent	10,000	-	-	-
Operating transfers in	951,461	912,640	914,056	1,025,253
Other financing sources	2,002	-	1,111	-
Operating transfers out	(951,461)	(912,640)	(914,056)	(1,025,253)
Payment to QSCB escrow agent	(10,000)	-	-	-
Other financing uses	(10,362)	(1,401)	-	-
Total Other Financing Sources (Uses)	298,091	402,548	163,218	132,875
Net Change in Fund Balances	921,033	480,037	203,636	235,386
Fund Balances:				
Beginning of period, as originally reported	4,037,596	3,561,681	3,356,611	3,121,926
Prior period adjustments	-	-	-	(6,880)
Beginning of period, as restated	4,037,596	3,561,681	3,356,611	3,115,046
Increase (Decrease) in reserve for inventory	15,761	(4,122)	1,434	6,179
End of Period	\$ 4,974,390	\$ 4,037,596	\$ 3,561,681	\$ 3,356,611

*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 County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo County School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. 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 County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Yazoo County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yazoo County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Yazoo County School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Cunningham CPAs, PLLC

December 8, 2011

CUNNINGHAM CPAs, PLLC

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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 County School District

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

December 8, 2011

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 County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo County School District as of and for the year ended June 30, 2011, which collectively comprise Yazoo County School District's basic financial statements and have issued our report thereon dated December 8, 2011. 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 \$20,719 of classroom supply funds carried over from previous years.

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

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

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

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

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



Cunningham CPAs, PLLC

December 8, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YAZOO COUNTY SCHOOL DISTRICT

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

Section 1: 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? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Child Nutrition Cluster: | |
| | CFDA # | 10.553 |
| | CFDA # | 10.555 |
| | B. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | CFDA # | 84.389 |
| | C. ARRA - State Fiscal Stabilization - Education State Grants, Recovery Act | |
| | CFDA # | 84.394 |
| | D. Special Education Cluster: | |
| | CFDA # | 84.027 |
| | CFDA # | 84.173 |
| | CFDA # | 84.391 |
| | CFDA # | 84.392 |
| | E. Education Jobs Fund | |
| | CFDA # | 84.410 |
| 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 COUNTY SCHOOL DISTRICT

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

