

# SUNFLOWER COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2009

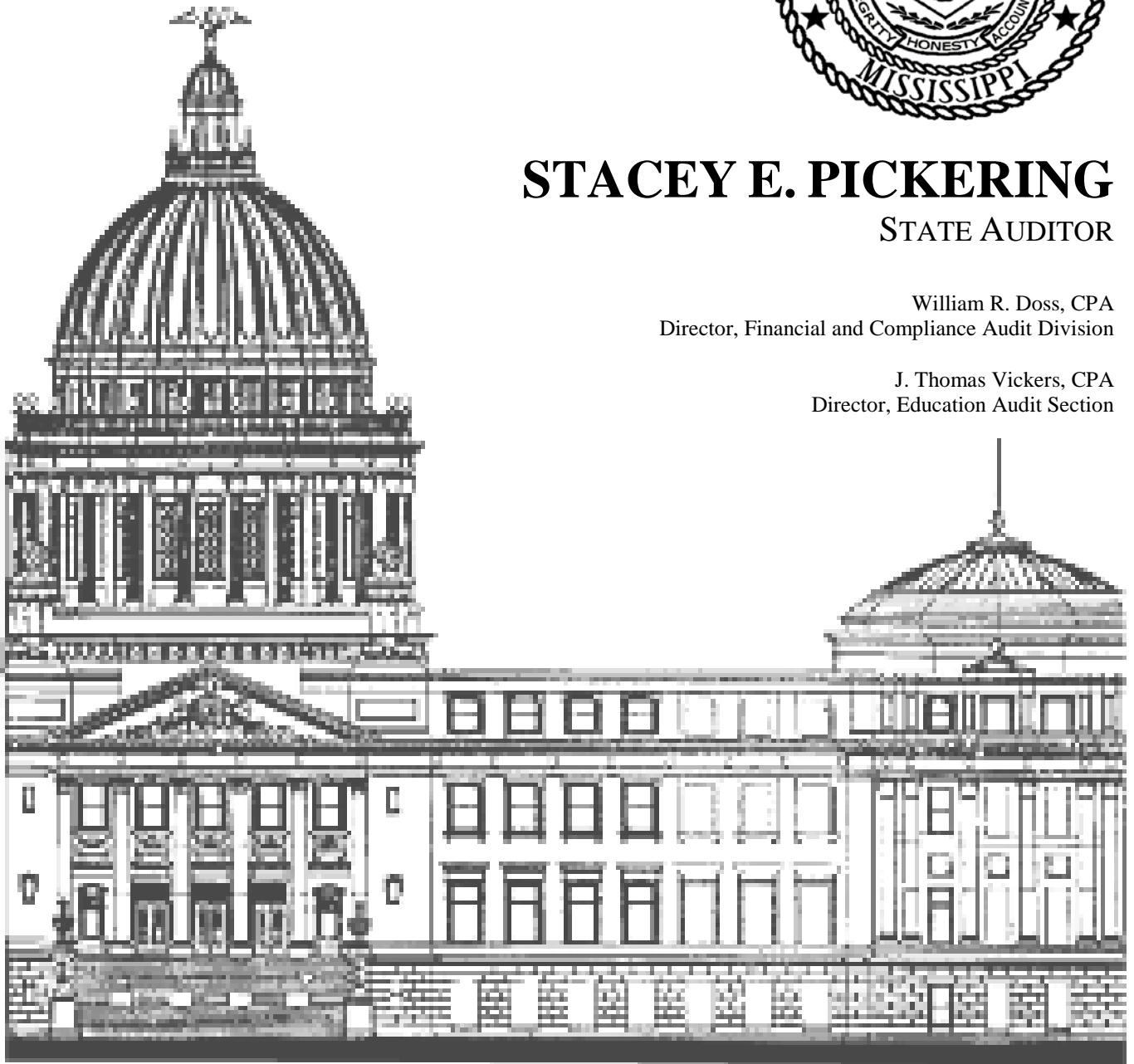


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

J. Thomas Vickers, CPA  
Director, Education Audit Section



A Report from the Education Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

March 8, 2011

Members of the School Board  
Sunflower County School District

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for the Sunflower County School District. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the Superintendent and other employees of the Sunflower County School District throughout the audit. Thank you for working to move Mississippi forward by serving as a board member for the Sunflower County School District. If I or this office can be of any further assistance, please contact me or Tommy Vickers of my staff at (601) 576-2666.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive.

Stacey E. Pickering  
State Auditor

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SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

SUNFLOWER COUNTY SCHOOL DISTRICT

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

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

Superintendent and School Board  
Sunflower 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 Sunflower County School District as of and for the year ended June 30, 2009, which collectively comprise the Sunflower County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sunflower 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

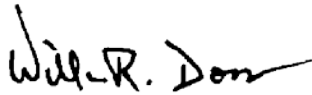
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County School District, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2011, on our consideration of the Sunflower County School District's internal control over financial reporting and 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 the 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.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sunflower County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental 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 express no opinion on it.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

March 8, 2011

SUNFLOWER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

The discussion and analysis of Sunflower County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

## FINANCIAL HIGHLIGHTS

- Total net assets for 2009 increased \$297,576, including a prior period adjustment of \$25,731, which represents a 6.37% increase from fiscal year 2008. Total net assets for 2008 increased \$1,180,007, which represents a 33.79% increase from fiscal year 2008.
- General revenues amounted to \$11,290,193 and \$11,305,856, or 72.48% and 71.51% of all revenues for fiscal years 2009 and 2008, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,286,663, or 27.52% of total revenues for 2009, and \$4,505,408, or 28.49% of total revenues for 2008.
- The District had \$15,305,011 and \$14,631,257 in expenses for fiscal years 2009 and 2008; only \$4,286,663 for 2009 and \$4,505,408 for 2008 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,290,193 for 2009 and \$11,305,856 for 2008 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,612,107 in revenues and \$10,680,980 in expenditures for 2009, and \$10,900,729 in revenues and \$10,309,103 in expenditures in 2008. The General Fund's fund balance increased by \$440,482 from 2008 to 2009, and increased by \$545,917 from 2007 to 2008.
- Capital assets, net of accumulated depreciation, increased by \$51,400 for 2009 and increased by \$42,632 for 2008. The increase for 2009 was due primarily to the purchase of two buses.
- Long-term debt decreased by \$207,000 for 2009 and decreased by \$355,000 for 2008. This decrease was due to the principal payments on outstanding long-term debt. In addition, the liability for compensated absences showed no change for 2009 and increased by \$17,959 for 2008.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.



SUNFLOWER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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

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 and other expenses 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.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the School District's operations.

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, readers may better understand the long-term impact of the District's current 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 fund's balance sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund.

SUNFLOWER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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.

Also, included in the other supplemental information section are 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. This information 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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,969,725 as of June 30, 2009.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net assets at June 30, 2009 and June 30, 2008.

Table 1  
Condensed Statement of Net Assets

	June 30, 2009	June 30, 2008	Percentage Change
Current assets	\$ 6,227,163	6,351,981	(1.97) %
Restricted assets	15,832	15,832	0.00 %
Capital assets, net	3,057,242	3,005,842	1.71 %
<b>Total assets</b>	<b>9,300,237</b>	<b>9,373,655</b>	(0.78) %
Current liabilities	1,226,358	1,349,869	(9.15) %
Long-term debt outstanding	3,104,154	3,351,637	(7.38) %
<b>Total liabilities</b>	<b>4,330,512</b>	<b>4,701,506</b>	(7.89) %
Net assets:			
Invested in capital assets, net of related debt	91,725	(207,158)	144.28 %
Restricted	931,152	1,432,458	(35.00) %
Unrestricted	3,946,848	3,446,849	14.51 %
<b>Total Net Assets</b>	<b>\$ 4,969,725</b>	<b>4,672,149</b>	6.37 %

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

- Increase in net capital assets in the amount of \$51,400.
- The principal retirement and refunding of \$2,622,000 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2009 and June 30, 2008 were \$15,576,856 and \$15,811,264, respectively. The total cost of all programs and services was \$15,305,011 for 2009 and \$14,631,257 for 2008. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

SUNFLOWER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

Table 2  
Changes in Net Assets

	Year Ended June 30, 2009	Year Ended June 30, 2008	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 234,517	316,371	(25.87) %
Operating grants and contributions	4,052,146	4,189,037	(3.27) %
General revenues:			
Property taxes	2,545,873	2,564,477	(0.73) %
Grants and contributions not restricted	8,294,586	8,281,949	0.15 %
Investment earnings	52,983	58,117	(8.83) %
Sixteenth section sources	347,885	353,213	(1.51) %
Other	48,866	48,100	1.59 %
<b>Total Revenues</b>	<b>15,576,856</b>	<b>15,811,264</b>	<b>(1.48) %</b>
<b>Expenses:</b>			
Instruction	8,454,575	8,254,931	2.42 %
Support services	5,414,525	4,955,921	9.25 %
Non-instructional	1,269,948	1,243,669	2.11 %
Sixteenth section	24,806	23,168	7.07 %
Interest and other expenses on long-term liabilities	141,157	153,568	(8.08) %
<b>Total Expenses</b>	<b>15,305,011</b>	<b>14,631,257</b>	<b>4.60 %</b>
<b>Increase in net assets</b>	<b>271,845</b>	<b>1,180,007</b>	<b>(76.96) %</b>
<b>Net Assets, July 1</b>	<b>4,672,149</b>	<b>3,492,142</b>	<b>33.79 %</b>
<b>Prior Period Adjustment</b>	<b>25,731</b>		
<b>Net Assets Restated, July 1</b>	<b>4,697,880</b>	<b>3,492,142</b>	<b>34.53 %</b>
<b>Net Assets, June 30</b>	<b>\$ 4,969,725</b>	<b>4,672,149</b>	<b>6.37 %</b>

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

Table 3  
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2009	2008	
Instruction	\$ 8,454,575	8,254,931	2.42 %
Support services	5,414,525	4,955,921	9.25 %
Non-instructional	1,269,948	1,243,669	2.11 %
Sixteenth section	24,806	23,168	7.07 %
Interest and other expenses on long-term liabilities	141,157	153,568	(8.08) %
<b>Total Expenses</b>	<b>\$ 15,305,011</b>	<b>14,631,257</b>	<b>4.60 %</b>

	Total (Expense) Revenue		Percentage Change
	2009	2008	
Instruction	\$ (6,720,709)	(6,252,660)	(7.49) %
Support services	(4,046,232)	(3,903,751)	(3.65) %
Non-instructional	(85,444)	(114,568)	25.42 %
Sixteenth section	(24,806)	(23,168)	(7.07) %
Interest and other expenses on long-term liabilities	(141,157)	168,298	(183.87) %
<b>Total Net (Expense) Revenue</b>	<b>\$ (11,018,348)</b>	<b>(10,125,849)</b>	<b>(8.81) %</b>

- Net cost of governmental activities, (\$11,018,348 and \$10,125,849) was financed by general revenue, which is made up of primarily property taxes of (\$2,545,873 for 2009 and \$2,564,477 for 2008) and state and federal revenues of (\$8,294,586 for 2009 and \$8,281,949 for 2008). In addition, there was \$347,885 and \$353,213 in Sixteenth Section sources for 2009 and 2008, respectively.
- Investment earnings amounted to \$52,983 for 2009 and \$58,117 for 2008.

**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, unreserved 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 \$5,013,341, a decrease of \$67,666, which includes an increase in inventory of \$1,424. \$4,509,073 or 89.94% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$504,268 or 10.06% is reserved or designated to indicate that it is not available for spending because it has already been committed.

SUNFLOWER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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 \$440,482. The fund balance of Other Governmental Funds showed an decrease in the amount of \$508,148, including an increase in the reserve for inventory of \$1,424. There was no increases or decreases in the fund balances for the other major funds.

**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 major special revenue funds is provided in this report as required supplemental information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2009, the District's total capital assets were \$7,234,553, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$139,006 from 2008. Total accumulated depreciation as of June 30, 2009, was \$4,177,311, and total depreciation expense for the year was \$157,745, resulting in total net capital assets of \$3,057,242.

Table 4  
Capital Assets

	Capital Assets, Net of Depreciation		Percentage
	June 30, 2009	June 30, 2008	Change
Land	\$ 86,550	86,550	0.00 %
Buildings	2,133,996	2,180,170	(2.12) %
Building improvements	178,638	187,461	(4.71) %
Improvements other than buildings	30,135	31,642	(4.76) %
Mobile equipment	565,234	494,012	14.42 %
Furniture and equipment	62,689	26,007	141.05 %
Total	\$ 3,057,242	3,005,842	1.71 %

**Debt Administration.** At June 30, 2009, the District had \$3,144,637 in outstanding long-term debt, of which \$255,000 is due within one year. The liability for compensated absences at June 30, 2009 was \$138,637, showing no change from the prior year.

The District maintains an AA bond rating.

SUNFLOWER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

Table 5  
Outstanding Long-Term Debt

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,415,000	2,520,000	(4.17) %
Three mill notes payable	591,000	693,000	(14.72) %
Compensated absences payable	<u>138,637</u>	<u>138,637</u>	0.00 %
<b>Total</b>	<b><u>\$ 3,144,637</u></b>	<b><u>3,351,637</u></b>	<b>(6.18) %</b>

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

**CURRENT ISSUES**

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

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

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

Enrollment for the 2008-2009 year decreased by 2.7% to 1,601 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Sunflower County School District, P. O. Box 70, Indianola, MS 38751.

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS



SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2009

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,628,556
Investments	85,474
Due from other governments	446,254
Inventories	7,362
Deferred bond issuance cost	59,517
Restricted assets	15,832
Capital assets, non-depreciable:	
Land	86,550
Capital assets, net of accumulated depreciation:	
Buildings	2,133,996
Building improvements	178,638
Improvements other than buildings	30,135
Mobile equipment	565,234
Furniture and equipment	<u>62,689</u>
 Total Assets	 <u>9,300,237</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	912,578
Due to other governments	12,797
Unearned revenue	244,762
Interest payable on long-term liabilities	56,221
Deferred charges on refunding debt	(40,483)
Long-term liabilities, due within one year	
Capital related liabilities	255,000
Long-term liabilities, due beyond one year	
Capital related liabilities	2,751,000
Non-capital related liabilities	<u>138,637</u>
 Total Liabilities	 <u>4,330,512</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	91,725
Restricted net assets:	
Expendable:	
School-based activities	590,467
Debt service	271,147
Unemployment benefits	53,706
Non-expendable:	
Sixteenth section	15,832
Unrestricted	<u>3,946,848</u>
 Total Net Assets	 <u>\$ 4,969,725</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2009

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 8,454,575	174,631	1,559,235		(6,720,709)
Support services	5,414,525		1,368,293		(4,046,232)
Non-instructional	1,269,948	59,886	1,124,618		(85,444)
Sixteenth section	24,806				(24,806)
Interest and other expenses on long-term liabilities	141,157				(141,157)
<b>Total Governmental Activities</b>	<b>\$ 15,305,011</b>	<b>234,517</b>	<b>4,052,146</b>		<b>(11,018,348)</b>
General Revenues:					
Taxes:					
					2,406,118
					139,755
Unrestricted grants and contributions:					
					8,194,711
					99,875
					52,983
					347,885
					48,866
					<u>11,290,193</u>
					<u>271,845</u>
Change in Net Assets					
					4,672,149
					<u>25,731</u>
					<u>4,697,880</u>
					<u>\$ 4,969,725</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2009

Exhibit C

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Title I Fund</u>	<u>Title II Fund</u>		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,319,097	163,714	195,993	949,752	5,628,556
Investments				101,306	101,306
Due from other governments	106,069			231,644	337,713
Due from other funds	147,535	10,415		6,283	164,233
Advance to other funds	100,000				100,000
Inventories				7,362	7,362
				<u>7,362</u>	<u>7,362</u>
Total Assets	\$ <u>4,672,701</u>	<u>174,129</u>	<u>195,993</u>	<u>1,296,347</u>	<u>6,339,170</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 641,051	76,609	18,619	176,299	912,578
Due to other funds	5,682	49,782	4,235	108,790	168,489
Unearned revenue		47,738	173,139	23,885	244,762
Total Liabilities	<u>646,733</u>	<u>174,129</u>	<u>195,993</u>	<u>308,974</u>	<u>1,325,829</u>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Advances	100,000				100,000
Inventory				7,362	7,362
Debt service				327,368	327,368
Unemployment benefits				53,706	53,706
Permanent fund purposes				15,832	15,832
<b>Unreserved:</b>					
<b>Undesignated, reported in:</b>					
General Fund	3,925,968				3,925,968
Special Revenue Funds				583,105	583,105
Total Fund Balances	<u>4,025,968</u>	<u>0</u>	<u>0</u>	<u>987,373</u>	<u>5,013,341</u>
Total Liabilities and Fund Balances	\$ <u>4,672,701</u>	<u>174,129</u>	<u>195,993</u>	<u>1,296,347</u>	<u>6,339,170</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2009

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,013,341
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,177,311.	3,057,242
2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,044,637)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(56,221)</u>
Total Net Assets - Governmental Activities	<u>\$ 4,969,725</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2009

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Title II Fund		
Revenues:					
Local sources	\$ 2,613,987	273	5,246	211,735	2,831,241
Intermediate sources				46,693	46,693
State sources	7,898,245			565,912	8,464,157
Federal sources	99,875	1,882,195	201,337	1,699,166	3,882,573
Sixteenth section sources				350,016	350,016
Total Revenues	<u>10,612,107</u>	<u>1,882,468</u>	<u>206,583</u>	<u>2,873,522</u>	<u>15,574,680</u>
Expenditures:					
Instruction	6,655,392	930,857		811,717	8,397,966
Support services	4,025,588	723,599	203,626	516,366	5,469,179
Noninstructional services		214,525		1,052,607	1,267,132
Sixteenth section				24,806	24,806
Debt service:					
Principal				307,000	307,000
Interest				146,311	146,311
Other				61,205	61,205
Total Expenditures	<u>10,680,980</u>	<u>1,868,981</u>	<u>203,626</u>	<u>2,920,012</u>	<u>15,673,599</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(68,873)</u>	<u>13,487</u>	<u>2,957</u>	<u>(46,490)</u>	<u>(98,919)</u>
Other Financing Sources (Uses):					
Proceeds of refunding bonds				2,415,000	2,415,000
Discount on debt issuance				(40,483)	(40,483)
Insurance loss recoveries	2,176				2,176
Sale of transportation equipment	600				600
Sale of other property				385	385
Operating transfers in	784,627			246,717	1,031,344
Operating transfers out	(245,199)	(13,487)	(2,957)	(769,701)	(1,031,344)
Payment to refunded bond escrow agent				(2,315,000)	(2,315,000)
Other financing uses	(32,849)				(32,849)
Total Other Financing Sources (Uses)	<u>509,355</u>	<u>(13,487)</u>	<u>(2,957)</u>	<u>(463,082)</u>	<u>29,829</u>
Net Change in Fund Balances	<u>440,482</u>			<u>(509,572)</u>	<u>(69,090)</u>
Fund Balances:					
July 1, 2008	<u>3,585,486</u>	<u>0</u>	<u>0</u>	<u>1,495,521</u>	<u>5,081,007</u>
Increase in reserve for inventory				1,424	1,424
June 30, 2009	<u>\$ 4,025,968</u>	<u>0</u>	<u>0</u>	<u>987,373</u>	<u>5,013,341</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2009

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (69,090)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$190,788 and the depreciation expense amounted to \$157,745.	33,043
2. The issuance of long-term debt provides current financial resources in governmental funds, but the issuance increases long-term liabilities for governmental activities.	(2,415,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	2,622,000
4. Governmental funds report the effect of bond issuance costs and the refunding of debt when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	
Deferred bond issuance cost	59,517
Deferred charges on refunding debt	40,483
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	6,842
6. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(7,374)
7. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	<u>1,424</u>
Change in Net Assets of Governmental Activities	<u>\$ 271,845</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2009

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 98,089
Due from other funds	<u>12,797</u>
Total Assets	<u>\$ 110,886</u>
<b>Liabilities</b>	
Advances from other funds	\$ 100,000
Due to other funds	8,541
Due to student clubs	<u>2,345</u>
Total Liabilities	<u>\$ 110,886</u>

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



SUNFLOWER COUNTY SCHOOL DISTRICT

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## SUNFLOWER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2009

#### (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. 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, Sunflower 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.

##### B. Basis of Presentation.

###### 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 interfund 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 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 properly included among program revenues are reported instead as general revenues.

## SUNFLOWER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2009

#### *Fund Financial Statements:*

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

The school district reports the following major governmental funds:

**General Fund** - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

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

**Title II Fund** - This is the school district's federally reimbursable fund provides resources to teachers to improve the quality of teachers' performance.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

#### 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.

#### C. Measurement Focus and Basis of Accounting.

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.

## SUNFLOWER COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2009

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 interfund 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.

#### D. Account Classifications.

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.

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

F. Assets, liabilities, and net assets or equity

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 interfund loans) or "advances to/from other funds"(i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, 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 and estimated useful lives in excess of two years.

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 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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 equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, undesignated -An account that represents the portion of fund balance that is expendable available financial resources.

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

(2) Cash and Cash Equivalents and Investments.

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus 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 deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. 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. Amounts 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 \$5,689,536 (including \$60,980 reported in Investments on Exhibit C) and \$98,089, respectively. The bank balance was \$6,075,802.

*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.

Investments.

As of June 30, 2009, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	1 to 5	\$ 60,980	N/A
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	<u>40,326</u>	AAAm
Total Investments		\$ <u><u>101,306</u></u>	



SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

*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. The \$40,326 investment in Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 48,277
General Fund	Title II Fund	3,235
General Fund	Other governmental funds	94,993
General Fund	Fiduciary funds	1,030
Title I Fund	Other governmental funds	9,187
Title I Fund	Fiduciary funds	1,228
Other governmental funds	Fiduciary funds	6,283
Fiduciary funds	General Fund	5,682
Fiduciary funds	Title I Fund	1,505
Fiduciary funds	Title II Fund	1,000
Fiduciary funds	Other governmental funds	<u>4,610</u>
Total		\$ <u><u>177,030</u></u>

Interfund loans were established primarily to cover federal funds not received prior to year end.

B. Advances To/From Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary funds	\$ <u>100,000</u>
Total		\$ <u><u>100,000</u></u>

Advances were made to clearing funds to maintain minimum balances to earn interest on accounts.

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

C. Interfund Transfers.

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 245,199
Title I	General Fund	13,487
Title II	General Fund	2,957
Other governmental funds	General Fund	768,183
Other governmental funds	Other governmental funds	1,518
Total		\$ 1,031,344

(4) Restricted Assets

The restricted assets represent the investment balance, totaling \$15,832, 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.

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

(5) Capital Assets.

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

	Balance <u>7/1/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	Balance <u>6/30/2009</u>
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Construction in progress	\$ 86,550					86,550
Total non-depreciable capital assets	<u>86,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,550</u>
<u>Depreciable capital assets:</u>						
Buildings	4,776,162					4,776,162
Building improvements	220,558					220,558
Improvements other than buildings	37,669					37,669
Mobile equipment	1,509,456	164,001	72,849			1,600,608
Furniture and equipment	465,152	26,787	8,903		29,970	513,006
Total depreciable capital assets	<u>7,008,997</u>	<u>190,788</u>	<u>81,752</u>	<u>-</u>	<u>29,970</u>	<u>7,148,003</u>
<u>Less accumulated depreciation for:</u>						
Buildings	2,595,992	46,174				2,642,166
Building improvements	33,097	8,823				41,920
Improvements other than buildings	6,027	1,507				7,534
Mobile equipment	1,015,444	85,494	65,564			1,035,374
Furniture and equipment	439,145	15,747	8,814		4,239	450,317
Total accumulated depreciation	<u>4,089,705</u>	<u>157,745</u>	<u>74,378</u>	<u>-</u>	<u>4,239</u>	<u>4,177,311</u>
Total depreciable capital assets, net	<u>2,919,292</u>	<u>33,043</u>	<u>7,374</u>	<u>-</u>	<u>25,731</u>	<u>2,970,692</u>
Governmental activities capital assets, net	<u>\$ 3,005,842</u>	<u>33,043</u>	<u>7,374</u>	<u>-</u>	<u>25,731</u>	<u>3,057,242</u>

\*Adjustments were necessary to correctly report Furniture and Equipment and the related accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 50,547
Support services	102,958
Non-instructional	4,240
Total Depreciation Expense	<u>\$ 157,745</u>

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

(6) Long-term Liabilities.

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

	Balance 7/1/2008	Additions	Reductions	Balance 6/30/2009	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,520,000	2,415,000	2,520,000	2,415,000	150,000
B. Three mill notes payable	693,000		102,000	591,000	105,000
C. Compensated absences payable	<u>138,637</u>			<u>138,637</u>	
Total	<u>\$ 3,351,637</u>	<u>2,415,000</u>	<u>2,622,000</u>	<u>3,144,637</u>	<u>255,000</u>

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2009	2.50%-3.00%	2/27/2009	3/1/2018	\$ <u>2,415,000</u>	<u>2,415,000</u>
Total				<u>\$ 2,415,000</u>	<u>2,415,000</u>

Details of the district's limited obligation bonds indebtedness are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 150,000	60,333	210,333
2011	260,000	57,045	317,045
2012	270,000	51,195	321,195
2013	275,000	45,120	320,120
2014	280,000	38,933	318,933
2015 – 2019	<u>1,180,000</u>	<u>84,141</u>	<u>1,264,141</u>
Total	<u>\$ 2,415,000</u>	<u>336,767</u>	<u>2,751,767</u>

This debt will be retired from the MAEP debt service fund.

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Advance Refunding.

On February 27, 2009, the district issued \$2,415,000 in refunding bonds with an average interest rate of 2.75 percent to advance refund \$2,315,000 of outstanding limited obligation bonds with an average interest rate of 5.15 percent. The net proceeds of \$2,315,000 (including discounts of \$40,483) after payments of \$59,517 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the refunded bonds.

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

The district advance refunded the limited obligation bonds payable in the amount of \$2,315,000 to reduce its debt service payments over the remaining ten years of the debt and to realize an economic gain of \$123,156.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2001	4.95%	5/11/2001	5/11/2011	\$ 500,000	202,000
Limited Tax Notes, Series 2004	4.125%	8/27/2004	8/27/2014	600,000	389,000
Total				\$ 1,100,000	591,000

Details of the district's three mill notes payable are as follows:

Three mill notes payable issued May, 2001:

Year Ending June 30	Principal	Interest	Total
2010	\$ 99,000	9,999	108,999
2011	103,000	5,099	108,099
Total	\$ 202,000	15,098	217,098

This debt will be retired from the Moorhead Middle School Cafeteria Debt Service Fund.

Three mill notes payable issued August, 2004:

Year Ending June 30	Principal	Interest	Total
2010	\$ 6,000	16,046	22,046
2011	8,000	15,799	23,799
2012	10,000	15,469	25,469
2013	117,000	15,056	132,056
2014	122,000	10,230	132,230
2015 – 2019	126,000	5,198	131,198
Total	\$ 389,000	77,798	466,798

This debt will be retired from the 2004 School Improvement Debt Service Fund.

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2010	\$ 105,000	26,045	131,045
2011	111,000	20,898	131,898
2012	10,000	15,469	25,469
2013	117,000	15,056	132,056
2014	122,000	10,230	132,230
2015 – 2019	<u>126,000</u>	<u>5,198</u>	<u>131,198</u>
Total	<u>\$ 591,000</u>	<u>92,896</u>	<u>683,896</u>

(7) 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, 69 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 7.25% 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, 2009 was 11.85% 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, 2009, 2008 and 2007 were \$938,830, \$936,316 and \$845,538, respectively, which equaled the required contributions for each year.

(8) 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
2010	\$ 126,492
2011	74,827
2012	40,974
2013	8,508
2014	8,508
2015 – 2019	3,550
2020 – 2024	3,550
2025 – 2029	3,550
2030 – 2034	<u>3,550</u>
Total	<u>\$ 273,509</u>

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Adjustment to record capital assets purchased in the prior year	\$ <u>25,731</u>
Total	\$ <u><u>25,731</u></u>

(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 member's 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.

(11) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie School District, Coahoma County School District, Drew School District, North Bolivar School District, Quitman County School District, Mound Bayou School District, Coahoma Agricultural High School District, and Sunflower County School District .

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

SUNFLOWER COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2009

(12) Insurance loss recoveries.

The Sunflower County School District received \$2,176 in insurance loss recoveries related to car damage during the 2008-2009 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported and allocated among the expenditure functions as follows:

	<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expenditure Function</u>
\$	<u>2,176</u>	<u>100%</u>	Support services
\$	<u><u>2,176</u></u>	<u><u>100%</u></u>	



SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,697,343	2,625,153	2,613,987	(72,190)	(11,166)
State sources	8,650,325	7,887,079	7,898,245	(763,246)	11,166
Federal sources	45,721		99,875	(45,721)	99,875
Total Revenues	<u>11,393,389</u>	<u>10,512,232</u>	<u>10,612,107</u>	<u>(881,157)</u>	<u>99,875</u>
Expenditures:					
Instruction	7,021,198	6,655,392	6,655,392	365,806	
Support services	4,338,814	3,925,695	4,025,588	413,119	(99,893)
Facilities acquisition and construction		18		(18)	18
Total Expenditures	<u>11,360,012</u>	<u>10,581,105</u>	<u>10,680,980</u>	<u>778,907</u>	<u>(99,875)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>33,377</u>	<u>(68,873)</u>	<u>(68,873)</u>	<u>(102,250)</u>	
Other Financing Sources (Uses):					
Insurance loss recoveries		2,176	2,176	2,176	
Sale of transportation equipment		600	600	600	
Operating transfers in	1,580,000	1,754,263	784,627	174,263	(969,636)
Operating transfers out	(1,250,000)	(1,214,835)	(245,199)	35,165	969,636
Other financing uses		(35,950)	(32,849)	(35,950)	3,101
Total Other Financing Sources (Uses)	<u>330,000</u>	<u>506,254</u>	<u>509,355</u>	<u>176,254</u>	<u>3,101</u>
Net Change in Fund Balances	<u>363,377</u>	<u>437,381</u>	<u>440,482</u>	<u>74,004</u>	<u>3,101</u>
Fund Balances:					
July 1, 2008	<u>3,585,486</u>	<u>3,585,486</u>	<u>3,585,486</u>		
June 30, 2009	<u>\$ 3,948,863</u>	<u>4,022,867</u>	<u>4,025,968</u>	<u>74,004</u>	<u>3,101</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,669	273	273	(1,396)	
Federal sources	1,391,320	1,882,195	1,882,195	490,875	
Total Revenues	1,392,989	1,882,468	1,882,468	489,479	
Expenditures:					
Instruction	730,159	930,858	930,857	(200,699)	1
Support services	345,970	723,599	723,599	(377,629)	
Noninstructional services	301,860	214,524	214,525	87,336	(1)
Total Expenditures	1,377,989	1,868,981	1,868,981	(490,992)	
Excess (Deficiency) of Revenues over Expenditures	15,000	13,487	13,487	(1,513)	
Other Financing Sources (Uses):					
Operating transfers out	(15,000)	(13,487)	(13,487)	1,513	
Total Other Financing Sources (Uses)	(15,000)	(13,487)	(13,487)	1,513	
Net Change in Fund Balances					
Fund Balances:					
July 1, 2008					
June 30, 2009	\$				

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title II Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,423	5,246	5,246	3,823	
Federal sources	191,947	201,337	201,337	9,390	
Total Revenues	<u>193,370</u>	<u>206,583</u>	<u>206,583</u>	<u>13,213</u>	
Expenditures:					
Support services	<u>193,370</u>	<u>203,626</u>	<u>203,626</u>	<u>(10,256)</u>	
Total Expenditures	<u>193,370</u>	<u>203,626</u>	<u>203,626</u>	<u>(10,256)</u>	
Excess (Deficiency) of Revenues over Expenditures		<u>2,957</u>	<u>2,957</u>	<u>2,957</u>	
Other Financing Sources (Uses):					
Operating transfers out		<u>(2,957)</u>	<u>(2,957)</u>	<u>(2,957)</u>	
Total Other Financing Sources (Uses)		<u>(2,957)</u>	<u>(2,957)</u>	<u>(2,957)</u>	
Net Change in Fund Balances					
Fund Balances:					
July 1, 2008					
June 30, 2009	\$				

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

SUNFLOWER COUNTY SCHOOL DISTRICT  
Note to the Required Supplemental Information  
For the Year Ended June 30, 2009

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUNFLOWER COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION



SUNFLOWER COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 294,423
National school lunch program	10.555	826,398
Total child nutrition cluster		<u>1,120,821</u>
Total U.S. Department of Agriculture		<u>1,120,821</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	99,875
Total Federal Communications Commission		<u>99,875</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,914,154
Safe and drug-free schools and communities- state grants	84.186	20,576
Twenty-first century community learning centers	84.287	52,674
State grants for innovative programs	84.298	776
Education technology state grants	84.318	15,596
Reading first state grants	84.357	48,766
Rural education	84.358	39,503
Improving teacher quality state grants	84.367	201,337
Grants for state assessments and related activities	84.369	291
Total		<u>2,293,673</u>
Special education cluster:		
Special education - grants to states	84.027	399,114
Special education - preschool grants	84.173	15,741
Total special education cluster		<u>414,855</u>
Total passed-through Mississippi Department of Education		<u>2,708,528</u>
Total U.S. Department of Education		<u>2,708,528</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	72,926
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	4,117
Total passed-through Mississippi Department of Education		<u>77,043</u>
Total U.S. Department of Health and Human Services		<u>77,043</u>
Total for All Federal Awards		\$ <u><u>4,006,267</u></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.

SUNFLOWER COUNTY SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2009

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,404,655	8,496,580	668,468	638,421	1,601,186
Other	<u>4,268,944</u>	<u>1,895,145</u>	<u>251,269</u>	<u>10,945</u>	<u>2,111,585</u>
Total	<u>\$ 15,673,599</u>	<u>10,391,725</u>	<u>919,737</u>	<u>649,366</u>	<u>3,712,771</u>
Total number of students*	<u>1,601</u>				
Cost per student	<u>\$ 9,790</u>	<u>6,491</u>	<u>574</u>	<u>406</u>	<u>2,319</u>

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. (all the 1000, 2100, & 2200 functional codes).

**General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

**School Administration** - includes expenditures for the following function: Support Services - School Administration (2400s).

**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.

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>
Revenues:				
Local sources	\$ 2,613,987	2,618,780	2,629,432	2,453,774
State sources	7,898,245	8,238,405	7,949,415	7,628,048
Federal sources	<u>99,875</u>	<u>43,544</u>	<u>156,793</u>	<u>163,409</u>
Total Revenues	<u>10,612,107</u>	<u>10,900,729</u>	<u>10,735,640</u>	<u>10,245,231</u>
Expenditures:				
Instruction	6,655,392	6,364,727	6,026,237	6,108,806
Support services	4,025,588	3,944,376	3,676,473	3,389,557
Noninstructional services				<u>1,120</u>
Total Expenditures	<u>10,680,980</u>	<u>10,309,103</u>	<u>9,702,710</u>	<u>9,499,483</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(68,873)</u>	<u>591,626</u>	<u>1,032,930</u>	<u>745,748</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	2,176	29,834		13,320
Sale of transportation equipment	600			
Sale of other property			750	1,110
Operating transfers in	784,627	123,522	116,433	264,296
Operating transfers out	(245,199)	(199,065)	(199,437)	(246,946)
Other financing uses	<u>(32,849)</u>			
Total Other Financing Sources (Uses)	<u>509,355</u>	<u>(45,709)</u>	<u>(82,254)</u>	<u>31,780</u>
Net Change in Fund Balances	<u>440,482</u>	<u>545,917</u>	<u>950,676</u>	<u>777,528</u>
Fund Balances:				
July 1	<u>3,585,486</u>	<u>3,039,569</u>	<u>2,088,893</u>	<u>1,311,365</u>
June 30	<u>\$ 4,025,968</u>	<u>3,585,486</u>	<u>3,039,569</u>	<u>2,088,893</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2009	2008*	2007*	2006*
<b>Revenues:</b>				
Local sources	\$ 2,831,241	2,868,433	2,842,653	2,663,337
Intermediate sources	46,693			
State sources	8,464,157	8,890,150	8,515,082	8,164,322
Federal sources	3,882,573	3,674,519	4,113,832	4,025,190
Sixteenth section sources	350,016	354,089	333,741	227,392
<b>Total Revenues</b>	<b>15,574,680</b>	<b>15,787,191</b>	<b>15,805,308</b>	<b>15,080,241</b>
<b>Expenditures:</b>				
Instruction	8,397,966	8,159,542	7,932,164	8,086,848
Support services	5,469,179	5,095,990	5,036,182	4,855,234
Noninstructional services	1,267,132	1,227,213	1,065,621	956,187
Sixteenth section	24,806	23,168	31,434	87,027
Facilities acquisition and construction				772
Debt service:				
Principal	307,000	355,000	397,000	318,000
Interest	146,311	162,173	199,768	186,005
Other	61,205			
<b>Total Expenditures</b>	<b>15,673,599</b>	<b>15,023,086</b>	<b>14,662,169</b>	<b>14,490,073</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(98,919)</b>	<b>764,105</b>	<b>1,143,139</b>	<b>590,168</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds	2,415,000			
Proceeds of loans				49,000
Discount on debt issuance	(40,483)			
Insurance loss recoveries	2,176	29,834		13,320
Sale of transportation equipment	600			
Sale of other property	385		780	1,210
Operating transfers in	1,031,344	323,462	466,373	571,379
Operating transfers out	(1,031,344)	(323,462)	(466,373)	(571,379)
Payment to refunded bond escrow agent	(2,315,000)			
Other financing uses	(32,849)			
<b>Total Other Financing Sources (Uses)</b>	<b>29,829</b>	<b>29,834</b>	<b>780</b>	<b>63,530</b>
<b>Net Change in Fund Balances</b>	<b>(69,090)</b>	<b>793,939</b>	<b>1,143,919</b>	<b>653,698</b>
<b>Fund Balances:</b>				
July 1	5,081,007	4,289,278	3,143,073	2,486,760
Increase (Decrease) in reserve for inventory	1,424	(2,210)	2,286	2,615
<b>July 30</b>	<b>\$ 5,013,341</b>	<b>5,081,007</b>	<b>4,289,278</b>	<b>3,143,073</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

SUNFLOWER COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



SUNFLOWER COUNTY SCHOOL DISTRICT

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**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  
Sunflower County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sunflower County School District as of and for the year ended June 30, 2009, which collectively comprise Sunflower County School District's basic financial statements and have issued our report thereon dated March 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 09-1, 09-2, 09-3, 09-4, 09-5, 09-6, and 09-7 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

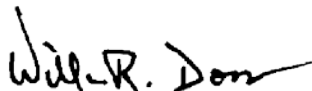
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 09-1 and 09-2 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated March 8, 2011, which is included in this report.

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

This report is intended solely for the information and use of the school board and management, 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will-R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

March 8, 2011



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Sunflower County School District

Compliance

We have audited the compliance of the Sunflower County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Sunflower 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 the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

As described in Findings 09-8 and 09-9 in the accompanying Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding Equipment and Real Property Management and Cash Management that are applicable to its Title I Program to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the school district to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Sunflower County School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

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

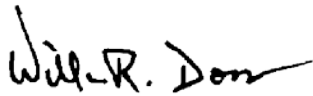
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and one deficiency that we consider to be a material weakness.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 09-8, 09-9 and 09-10 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider Findings 09-8 09-9 and 09-10 to be material weaknesses.

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

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



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

March 8, 2011

SUNFLOWER COUNTY SCHOOL DISTRICT

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

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

Superintendent and School Board  
Sunflower County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County School District as of and for the year ended June 30, 2009, which collectively comprise Sunflower County School District's basic financial statements and have issued our report thereon dated March 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 the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$23,391 of classroom supply funds carried over from previous years.

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

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

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



The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Education Enhancement Funds Should Be Spent in Accordance With State Laws

Finding

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), requires that Mississippi Public School Districts allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers in the school district. The Section further defines “teacher” for this statute and specifically excludes all federally funded teachers from being included in the allocation process. Also, Mississippi Department of Education board policy 3400 requires school districts to maintain adequate documentation to demonstrate compliance with EEF laws. In addition, it states, “At a minimum, each school principal shall maintain a listing of all teachers, the amount allocated to each teacher, the carry forward amount for each teacher, a copy of each spending plan and a copy of all requisitions or purchase requests submitted by the teachers.”

During our tests of Education Enhancement Funds expenditures, we noted expenditures by four federally funded teachers totaling \$991. Also, only one school of the seven in the district was able to provide a tracking form for EEF funds. The amount of EEF funds allocated to each teacher on this school’s form did not agree with the teacher allocation amount as provided by the central office.

Noncompliance with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), and Mississippi Department of Education board policy resulted in the district allowing federally funded teachers to spend allowable teachers’ allocations and the district lacking adequate documentation to support compliance with EEF laws.

Recommendation

We recommend that the district comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires the district to allocate EEF classroom supply funds equally among all classroom teachers, exclude allocations to federally funded teachers, and adhere to Mississippi Department of Education board policy 3400 by maintaining adequate documentation to demonstrate compliance with EEF laws.

School District’s Response

The District has corrected this issue. We are currently allocating funds to only state funded teachers.

2. Sixteenth Section Leases Should Be Promptly Collected

Finding

Section 29-3-57, Miss. Code Ann. (1972), requires the superintendent of education to collect promptly all rentals due on sixteenth section leases. This section further stipulated that upon a 60 day default in payment of any rentals according to the terms of the lease, the lease shall be terminated unless the board finds extenuating circumstances were present.

During our review of sixteenth section lease receipts, we noted that in 12 of 28 leases, receipts were not collected within 60 days of the due date, and there was no documentation of extenuating circumstances.

Lack of adequate controls surrounding sixteenth section leases resulted in this noncompliance.

Noncompliance with Section 29-3-57, Miss. Code Ann. (1972), could result in the district not receiving rental income for the use of the sixteenth section lands and forfeiture of any interest that the district could have earned on the income.

Recommendation

We recommend that the district comply with Section 29-3-57, Miss. Code Ann. (1972), and terminate any leases overdue by 60 days unless the board of education finds extenuating circumstances are present and records such circumstances on the minutes.

School District's Response

The district has begun collecting all leases when due and are following the requirement that leases be terminated when they become 60 days overdue.

3. The School Board Should Ensure Compliance With the Ethics Laws Related to Hiring Practices

Finding

During our audit for the fiscal year ended June 30, 2009, we noted several instances of the school board members approving the hiring of individuals whose employment could result in noncompliance with the state ethics laws.

Recommendation

We recommend that the school board implement policies to ensure that the employment of individuals approved by the school board is in compliance with the state ethics laws, particularly Section 25-4-105, Miss. Code. Ann. (1972).

School District's Response

The District has taken steps to ensure this issue is not repeated. The Mississippi Department of Education has appointed a Conservator for the District, at which time the School Board was dissolved.

4. Controls Should Be Strengthened over Education Enhancement Building and Bus Fund Expenditures

Finding

Section 37-61-33(2), Miss. Code Ann. (1972), limits the use of Education Enhancement building and bus funds to purchases or repairs of school buildings and related facilities, purchases of transportation vehicles and garages for transportation vehicles, land purchases, or as a pledge to pay all or a portion of the debt service on debt issued.

During our tests of Education Enhancement Fund expenditures for buildings and buses, we noted that the district used these funds to pay for gasoline purchases.

Noncompliance with Section 37-61-33(2), Miss. Code Ann. (1972), resulted in the school district using Education Enhancement building and bus funds for unallowable expenditures.

Recommendation

We recommend that the district comply with Section 37-61-33(2), Miss. Code Ann. (1972), and ensure that the Education Enhancement building and bus funds are used only for allowable expenditures.

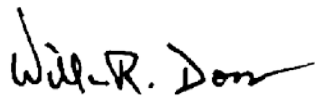
School District's Response

We are now in compliance with the law governing the use of Education Enhancement Building and Bus Funds. The District has instructed the Business Office personnel on the proper usages of these funds to ensure this issue is not repeated

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

The Sunflower County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

March 8, 2011

SUNFLOWER COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |     |   |               |
|-----|---|---------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:   | Qualified     |
| 5.  | Internal control over major programs:   |               |
| a.  | Material weakness(es) identified?   | Yes           |
| b.  | Significant deficiency(ies) identified that are not considered to be material weaknesses?   | None Reported |
| 6.  | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133?  | Yes           |
| 7.  | Federal programs identified as major programs:  |               |
| a.  | Title I Grants to Local Educational Agencies<br>CFDA # 84.010   |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?  | Yes           |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No            |

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Section 2: Financial Statement Findings

Significant Deficiencies Considered to Be Material Weaknesses

09-1. Controls Relating to Segregation of Duties Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our tests of internal controls we noted the following:

The Business Manager performed or had the ability to perform the following functions, which indicated a lack of adequate segregation of duties:

- Prepared bank deposits.
- Transported deposits to the banking institution.
- Posted entries to the general ledger.
- Prepared monthly financial reports.
- Accessibility to accounting software to perform accounts payable and payroll functions.

The Payroll Manager had the ability to access payroll and general ledger functions and the payroll clerk had the ability to access payroll, accounts payable, capital assets and general ledger functions. It was also noted that the Business Manager shared a user ID and password with the Accounts Payable clerk; giving the Accounts Payable clerk access to payroll and general ledger functions.

Blank checks were stored in the vault located in the central office, which was unlocked and accessible by all central office employees. Manual checks were stored, unsecured, on a shelf in the Business Manager/Accounts Payable clerk's office.

Without proper segregation of duties, the district increases the risk that unauthorized or inappropriate transactions could be processed and the district personnel would not detect the problem while performing their normal duties.

Recommendation

We recommend that the district strengthen its internal controls to ensure duties are divided to the greatest possible extent. Also, access to the accounting software should be limited based upon job responsibilities, and each person should have their own user ID and password.

09-2. Controls over Financial Reporting Should Be Strengthened

Finding

Management is responsible for ensuring that all items are reported correctly on the school district's financial statements.

During the audit year, the school district issued refunding bonds. When preparing the financial statements, the district failed to remove the refunded bond liability and the related escrowed assets, failed to record the refunding bond liability, and failed to record the entries related to the bond refunding. Audit adjustments were proposed to management and made to properly reflect these transactions in the financial statements.

Lack of adequate controls surrounding financial reporting could result in a misstatement of the district's financial statements.

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Recommendation

We recommend that the district strengthen controls over financial report preparation to ensure that the financial statements are fairly presented.

Significant Deficiencies Not Considered to Be Material Weaknesses

09-3. Compensated Absences Should Be Properly Recorded on the District's Financial Statements

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

The district was unable to provide supporting documentation for the compensated absences liability and as such, reported the same amount as the previous year on the financial statements.

The district upgraded its accounting software and during the process, the upgrade did not carryover the hire dates of nonexempt employees. This error was not detected by the district until they were preparing the year-end financial statements.

Improper retention of hire dates resulted in the compensated absences liability being misstated on the financial statements.

Recommendation

We recommend that the district strengthen its internal controls to ensure employee hire dates are properly documented and maintained.

09-4. Controls over Payroll Transactions Should Be Strengthened

Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented and pay is processed according to actual time worked.

During our tests of payroll expenditures, we noted the following:

- Supporting documentation for nonexempt employees was not used to calculate the amount of salary earned by an employee.
- Substitute employees were not approved by the board.
- Time sheets were not required for all hourly employees.
- Employees' salary/hourly amounts were not documented in the board minutes to support the board approved rate of pay.

Payment of wages without adequate supporting records could result in employees being improperly compensated.

Recommendation

The district should pay its hourly employees in accordance with actual time worked, which is supported by time sheets, ensure that all employees are board approved, and ensure that board approved rates are documented in the board minutes to support the amounts paid to all employees.



SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

09-5. Controls over Capital Asset Ledgers and Reporting Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our test work on capital assets, we noted that the district did not reconcile the capital asset subsidiary ledgers with the general ledger nor did the district perform a physical inspection of capital assets to ensure that all capital assets were properly recorded, tagged, reported and located.

Improper reporting of capital assets affects related depreciation under the requirements of the Governmental Accounting Standards Board Statement 34. These weaknesses, if not corrected, could cause the financial statements to be misstated.

Recommendation

We recommend that the district strengthen its internal controls to ensure its capital assets are properly recorded, depreciated, reconciled and reported.

09-6. Controls Surrounding Activity Fund Receipts and Expenditures Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure that all revenue earned is correctly recorded and deposited and that expenditures are accurately reported.

During our tests of activity fund revenues and expenditures, we noted the following:

- In two of six school event forms tested, no transmittal form from the school could be located, and no evidence of a deposit being made or a posting to the general ledger was found in the amount of \$1,375.
- In one of six school event forms tested, no receipt was prepared for the \$2,935 football gate cash received, but a deposit was made for \$2,895, a shortage of \$40.
- At Ruleville Central High School, the December 2008 activity fund receipts documentation was \$864 less than the actual deposit to the bank account, and the January 2009 activity fund deposit to the bank account was \$992 less than the actual collections based on documented receipts.
- There was no evidence that \$500 withdrawn from the Ruleville Central High School activity fund bank account to be used as a change fund at a ballgame was ever re-deposited.
- Of the seven activity fund expenditures tested at Inverness Elementary School, totaling \$1,330, there was no supporting documentation for an expenditure of \$632, and no prior approval of expenditures totaling \$1,177.
- Of the four activity fund expenditures tested at Moorhead Middle School, totaling \$1,293, there was no supporting documentation for two expenditures totaling \$1,095. There also were no purchase requests for any of the four expenditures.
- Of the seven activity fund expenditures tested at Ruleville Central Elementary School, totaling \$2,765, there were no purchase requests for any of the seven expenditures, no purchase orders for six expenditures totaling \$2,703 and no supporting documentation for two expenditures totaling \$1,236.
- Of the 19 activity fund expenditures at Ruleville Middle School, totaling \$1,361, there were no purchase orders for any of the 19 expenditures, there were no purchase requests for seven expenditures totaling \$723, and no supporting documentation for five expenditures totaling \$531.

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Lack of adequate internal controls related to activity fund receipts and disbursements could result in improper revenue recognition and the loss of assets.

Recommendation

We recommend that the district implement policies and procedures to ensure that activity fund revenues are properly recognized and recorded and that expenditures are adequately supported.

09-7. E-Rate Should Be Recorded on the District's Financial Statements

Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records which follow generally accepted accounting principles.

The school district did not properly record discounts provided from the Federal Communications Commission grants as administered through the Universal Service Administrative Company for the Schools and Libraries Program of the Universal Service Fund (E-Rate) on bills from their service providers as revenues and expenditures on the district's financial statements for the year ended June 30, 2009. This oversight caused both revenues and expenditures to be understated by \$99,875. An audit adjustment was proposed and made by management to properly record the revenues and expenditures.

Generally accepted accounting principles were not followed in recording the revenues and expenditures of the E-rate grant.

Lack of adequate controls could result in the district's financial statements being materially misstated.

Recommendation

We recommend that when recording revenues and expenditures utilizing the E-Rate discount process, the district should record the expenditures in total with the related discount recorded as revenue. This will allow the actual cost of the purchase and the related revenue earned through the E-Rate grant to be accurately reflected in the district's financial statements.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies Considered to Be Material Weaknesses and Material Noncompliance

09-8. Controls Surrounding Reporting of Capital Assets Should Be Strengthened

Program: Title I program to local educational agencies, Passed-through Mississippi Department of Education-CFDA # 84.010

Compliance Requirement: Equipment and Real Property Management

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our tests of Title I expenditures, we noted two capital assets purchased with Title I funds that were not reported as capital assets on the financial statements. This error was not noted by the district since they did not perform an annual inventory inspection.

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Lack of adequate internal controls surrounding capital assets could result in the failure of management to properly account for the capital assets of the Title I grants to local educational agencies.

Recommendation

We recommend that the district implement controls to ensure that assets are safeguarded by properly recording, tagging, annually inspecting, and reporting capital assets.

09-9. Controls Should Be Strengthened for Cash Management Procedures of Federal Awards

Program: Title I program to local educational agencies, Passed-through Mississippi Department of Education-CFDA # 84.010

Compliance Requirement: Cash Management

Finding

Management is responsible for ensuring that draw downs of federal funds are only for immediate needs of the district.

The district's records indicate excess fund balance in the Title I Fund for seven months out of the year due to the district requesting funds in excess of its immediate needs from the Mississippi Department of Education.

Requesting funds in excess of the district's immediate needs could jeopardize future funding for this program.

Recommendation

We recommend that the district implement policies and procedures to ensure compliance with the cash management requirement for federal program funds, which requires that the district request funds in such a manner that will minimize the amount of time the federal funds will be held by the district prior to disbursement.

Significant Deficiency Considered to Be a Material Weakness

09-10. Controls over Payroll Transactions Should Be Strengthened

Program: Title I program to local educational agencies, Passed-through Mississippi Department of Education-CFDA # 84.010

Compliance Requirement: Activities Allowed or Unallowed  
Allowable Costs/Cost Principles

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

During our tests of Title I payroll expenditures, we noted the following:

- The district did not allocate one employee's salary between Title I and district maintenance based on the employee's timesheet. Ninety-nine percent was allocated to Title I, and 1 percent was allocated to district maintenance.
- Timesheets were not used to determine the nonexempt employees' pay for each time period.

Lack of adequate supporting documentation could result in employees being improperly compensated and in incorrect draw downs of federal funds.

Recommendation

We recommend that the district maintain adequate records for all employees to support federal program expenditures.

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

SUNFLOWER COUNTY SCHOOL DISTRICT

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# Sunflower County School District

ROBERT A. STREBECK, CONSERVATOR  
P.O. BOX 70  
INDIANOLA, MISSISSIPPI 38751

TELEPHONE (662) 887-4919

FAX (662) 887-7051

March 23, 2011

As required by Section 315(c) of OMB Circular A-133, the Sunflower County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2009.

## Finding

2009-1

## Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager

- b. Description of correction action to be taken

The District will take steps to achieve better segregation of duties by identifying other personnel to assume the duties of preparing the bank deposits and transporting the deposits to the bank instead of the Business Manager. We do not anticipate limiting the Business Manager's access to the accounting software modules. Furthermore, we have limited the Payroll Manager's and the payroll clerk's access to the payroll subsystem and have change the Business Manager's and A/P Clerk's passwords to ensure the A/P Clerk does not have access to the payroll and general ledger subsystems.

Blank checks and manual checks will be maintained in a locked, fireproof filing cabinet and will be accessed by a key maintained by the Conservator's secretary who will maintain an access log and who will verify the numerical sequence of the blank checks.

- c. Anticipated completion date of corrective action

For those findings not currently corrected, we anticipate completing the corrective action by April 30, 2011.



Finding

2009-2

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- b. Description of correction action to be taken  
The Business Manager will be provided with a check of unusual items and year-end entries that are needed or may be needed to be made to record a transaction or close out a fiscal year to ensure proper and accurate financial reporting.
- c. Anticipated completion date of corrective action  
We anticipate completing the corrective action by April 30, 2011.

Finding

2009-3

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- b. Description of correction action to be taken  
The Business Manager will be provided with a check list of unusual items and year-end entries that are needed or may be needed to be made to record a transaction or close out a fiscal year to ensure proper and accurate financial reporting.
- c. Anticipated completion date of corrective action  
We anticipate completing the corrective action by April 30, 2011.

Finding

2009-4

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- b. Description of correction action to be taken  
The Business Manager will be provided with a check list of unusual items and year-end entries that are needed or may be needed to be made to record a transaction or close out a fiscal year to ensure proper and accurate financial reporting.
- c. Anticipated completion date of corrective action  
We anticipate completing the corrective action by April 30, 2011.

Finding

2009-4

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- b. Description of correction action to be taken  
We ensure we pay all nonexempt employees, both salaried and hourly, from properly approved timesheets. For the current fiscal year, all employees, including substitute teachers, and their rate of pay was approved by the Conservator at a "board" meeting and they were properly documented in the minutes of the "board" meeting.
- c. Anticipated completion date of corrective action  
Except for the approval of employees and their rates of pay, which has been corrected, we anticipate completing the corrective action by April 30, 2011.

Finding

2009-5

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- d. Description of correction action to be taken  
We have taken steps to ensure all capital assets are properly accounted for in the fixed assets subsystem and that a reconciliation of subsystem to the general ledger is accomplished monthly. Also, we have performed a physical inspection of these assets to ensure they are properly recorded, tagged, reported and located.
- e. Anticipated completion date of corrective action  
Completed.

Finding

2009-6

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- b. Description of correction action to be taken  
We have begun a formal review and reconciliation of the monthly activity reports submitted by each to ensure accuracy and completeness. The central office enters the receipt information for each school monthly after the review of the reports.

We are requiring receipts be given for all monies received at a school except for athletic and other events (dances). For these events a prenumbered ticket is sold and the proper accounting is made of the tickets sold and the funds collected. These funds are brought intact to the central office where they are recounted and the accounting of the tickets sold reviewed for accuracy.

We have determined the \$500 change was re-deposited but was not properly account for; we are now properly accounting for the change funds for each school.

All expenditures are now made through the accounts payable system at the central office which requires purchase requisitions, purchase orders and approval by the District's purchasing agent. The payment is made only from a properly approved invoice.

- c. Anticipated completion date of corrective action  
We anticipate completing the corrective action by April 30, 2011.

Finding

2009-7

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- b. Description of correction action to be taken  
The Business Manager will be provided with a check list of unusual items and year-end entries that are needed or may be needed to be made to record a transaction or close out a fiscal year to ensure proper and accurate financial reporting.
- c. Anticipated completion date of corrective action  
We anticipate completing the corrective action by April 30, 2011.

Finding

2009-8

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- b. Description of correction action to be taken  
We have taken steps to ensure all capital assets are properly accounted for in the fixed assets subsystem and that a reconciliation of subsystem to the general ledger is accomplished monthly. Also, we have performed a physical inspection of these assets to ensure they are properly recorded, tagged, reported and located. We will semi-annually perform inventory of the capital assets.
- c. Anticipated completion date of corrective action  
Completed.

Finding

2009-9

Corrective Action Plan

- a. Contact person responsible for corrective action  
Bret Reynolds, Business Manager
- b. Description of correction action to be taken  
We have implemented a formal and documented system to calculate and draw federal funds so that we draw only the funds needed to minimize the amount of time the federal funds are held by the district prior to disbursement.
- c. Anticipated completion date of corrective action  
Completed.

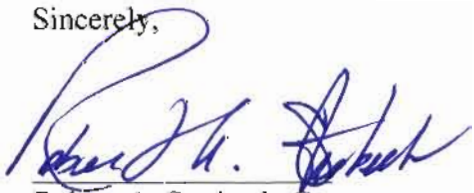
Finding

2009-10

Corrective Action Plan

- b. Contact person responsible for corrective action  
Bret Reynolds, Business Manager and appropriate Federal Program Manager
- f. Description of correction action to be taken  
We have required all employees partially funded by federal funds to maintain timesheets and the immediate supervisor and the appropriate Federal Program Manager approve the timesheets. As indicated above, we are currently requiring timesheets for all nonexempt employees.
- g. Anticipated completion date of corrective action  
Completed.

Sincerely,



Robert A. Strebeck, Conservator  
Sunflower County School District