



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Quitman County School District

Audited Financial Statements
June 30, 2010

Fortenberry & Ballard, PC
Certified Public Accountants

Quitman County School District
TABLE OF CONTENTS

	PAGE #
FINANCIAL AUDIT REPORT	
Independent Auditor's Report on the Basic Financial Statements and Supplementary Information	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	
7	
FINANCIAL STATEMENTS	
Statement of Net Assets	18
Statement of Activities	19
Balance Sheet - Governmental Funds	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Fiduciary Assets and Liabilities	27
Notes to the Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules - General Fund	49
Budgetary Comparison Schedules - Title I Fund	50
Notes to the Required Supplementary Information	52
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	54
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	55
OTHER SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund - Last Four Years	57
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds - Last Four Years	58
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	62
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	
65	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
69	
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS . . .	
72	

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, P.C.
Certified Public Accountants

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

Superintendent and School Board
Quitman 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 Quitman County School District as of and for the year ended June 30, 2010, which collectively comprise the Quitman County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Quitman 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 Quitman County School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year 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 April 5, 2011, on our consideration of the Quitman County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 supplementary 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 supplementary 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 Quitman 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 5, 2011

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**QUITMAN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

The discussion and analysis of Quitman County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic 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 2010 increased \$339,366, including a prior period adjustment of \$103,342, which represents a 31% increase from fiscal year 2009.
- General revenues amounted to \$8,965,973 and \$9,237,193, or 68% and 70% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,312,109, or 32% of total revenues for 2010, and \$4,017,990, or 30% of total revenues for 2009.
- The District had \$13,042,058 and \$13,522,532 in expenses for fiscal years 2010 and 2009; only \$4,312,109 for 2010 and \$4,017,990 for 2009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,965,973 for 2010 were adequate to provide for these program. However, \$9,237,193 for 2009 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,849,242 in revenues and \$7,885,554 in expenditures for 2010, and \$8,903,389 in revenues and \$8,841,170 in expenditures for 2009. The General Fund's fund balance decreased by \$60,667 from 2009 to 2010, and decreased by \$65,915 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$196,498 for 2010 and decreased by \$103,512 for 2009. The increase for 2010 was due to the additions of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$288,061 for 2010 and decreased by \$167,033 for 2009. This decrease was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$3,183 for 2010 and increased by \$7,413 for 2009.

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.

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 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 fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's 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 fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. 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 supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. Budgetary comparison schedules have been provided for the General Fund and each additional major special revenue fund.

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 \$1,426,329 as of June 30, 2010.

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, 2010 and June 30, 2009.

Table 1
Condensed Statement of Net Assets

	June 30, 2010	June 30, 2009	Percentage Change
Current assets	\$ 1,464,775	1,594,356	(8)%
Capital assets, net	2,181,452	1,984,954	10%
Total assets	3,646,227	3,579,310	2%
Current liabilities	663,285	650,856	2%
Long-term debt outstanding	1,556,613	1,841,491	(15)%
Total liabilities	2,219,898	2,492,347	(11)%
Net assets:			
Invested in capital assets, net of related debt	801,452	249,048	222%
Restricted	631,230	698,921	(10)%
Unrestricted	(6,353)	138,994	(105)%
Total net assets	\$ 1,426,329	1,086,963	31%

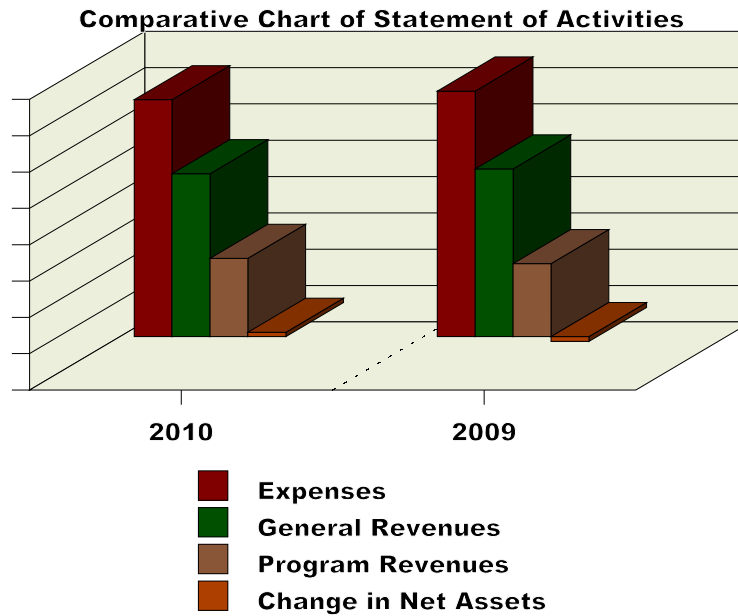
The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- Increase in net capital assets in the amount of \$196,498.
- The principal retirement of \$288,061 of long-term debt.
- Net Assets, invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the reduction of long-term debt and increase in capital assets.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$13,278,082 and \$13,255,183, respectively. The total cost of all programs and services was \$13,042,058 for 2010 and \$13,522,532 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 2
Changes in Net Assets

	Year Ended June 30, 2010	Year Ended June 30, 2009	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 172,278	191,666	(10)%
Operating grants and contributions	4,079,215	3,750,390	9%
Capital grants and contributions	60,616	75,934	(20)%
Total program revenues	4,312,109	4,017,990	7%
General revenues:			
Property taxes	1,880,068	2,040,859	(8)%
Grants and contributions not restricted	6,463,674	6,947,187	(7)%
Unrestricted investment earnings	24,963	26,327	(5)%
Sixteenth section sources	443,267	154,575	187%
Other	154,001	68,245	126%
Total general revenues	8,965,973	9,237,193	(3)%
Total revenues	13,278,082	13,255,183	0%
Expenses:			
Instruction	7,061,814	7,304,863	(3)%
Support services	4,671,321	4,974,919	(6)%
Non-instructional	1,217,744	1,125,211	8%
Sixteenth section	8,618	38,307	(78)%
Interest on long-term debt liabilities	82,561	79,232	4%
Total expenses	13,042,058	13,522,532	(4)%
Increase (Decrease) in net assets	236,024	(267,349)	188%
Net Assets, July 1, as originally reported	1,086,963	1,429,788	(24)%
Rounding difference		1	(100)%
Prior Period Adjustment	103,342	(75,477)	237%
Net Assets, as restated	1,190,305	1,354,312	(12)%
Net Assets, June 30	\$ 1,426,329	1,086,963	31%



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

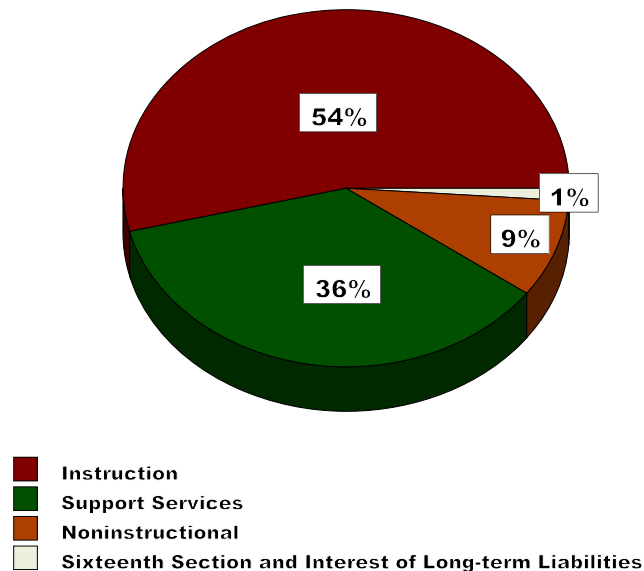
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2010	2009	
Instruction	\$ 7,061,814	7,304,863	(3)%
Support services	4,671,321	4,974,919	(6)%
Non-instructional	1,217,744	1,125,211	8%
Sixteenth section	8,618	38,307	(78)%
Interest on long-term liabilities	82,561	79,232	4%
Total expenses	<u>\$ 13,042,058</u>	<u>13,522,532</u>	<u>(4)%</u>

Net (Expense) Revenue

	2010	2009	Percentage Change
Instruction	\$ (5,262,677)	(5,568,102)	(5)%
Support services	(3,366,877)	(3,744,747)	(10)%
Non-instructional	(34,107)	(74,154)	(54)%
Sixteenth section	16,273	(38,307)	142%
Interest on long-term liabilities	(82,561)	(79,232)	4%
Total net (expense) revenue	\$ (8,729,949)	(9,504,542)	(8)%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$8,729,949 for 2010 and 9,504,542 for 2009) was financed by general revenue, which is primarily made up of property taxes (\$1,880,068 for 2010 and \$2,040,859 for 2009) and state and federal revenues (\$6,463,674 for 2010 and \$6,947,187 for 2009). In addition, there was \$443,267 and \$154,575 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$24,963 for 2010 and \$26,327 for 2009.

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 \$816,363, a decrease of \$145,113, which includes an increase in inventory of \$29,325. \$223,016 or 27% 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 \$593,347 or 73% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$60,667. The fund balance of Other Governmental Funds showed a decrease in the amount of \$43,902, which includes an increase in inventory of \$29,325. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	\$ (25,395)
Building Project Fund	(15,149)

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for local, state and federal sources in the General Fund were decreased to better reflect revenues received during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for support services and noninstructional expenditures in the Title I Fund were decreased. Amounts originally budgeted were overstated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$4,999,018, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$41,907 from 2009. Total accumulated depreciation as of June 30, 2010 was \$2,817,566 and total depreciation expense for the year was \$165,336, resulting in total net capital assets of \$2,181,452.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 76,652	76,652	0%
Buildings	536,210	564,432	(5)%
Building improvements	717,361	772,889	(7)%
Improvements other than buildings	143,906	150,446	(4)%
Mobile equipment	508,517	365,675	39%
Furniture and equipment	198,806	49,165	304%
Leased property under capital leases		5,695	(100)%
Total	\$ <u>2,181,452</u>	<u>1,984,954</u>	<u>10%</u>

Additional information on the District's capital assets can be found in Note 4 included in this report.

Debt Administration. At June 30, 2010, the District had \$1,556,613 in outstanding long-term debt, of which \$301,625 is due within one year. The liability for compensated absences increased \$3,183 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Certificates of participation payable	\$ 766,000	922,000	(17)%
Three mill notes payable	614,000	685,000	(10)%
Shortfall notes payable	93,906	154,967	(39)%
Compensated absences payable	82,707	79,524	4%
Total	\$ <u>1,556,613</u>	<u>1,841,491</u>	<u>(15)%</u>

Additional information on the District's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

The Quitman 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 2009-2010 year stayed about the same from the prior fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Quitman County School District, Courthouse Annex, Marks, MS 38646, telephone number (662) 326-5451.

FINANCIAL STATEMENTS

QUITMAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>
Assets	
<i>Cash and cash equivalents</i>	\$ 1,146,754
<i>Cash with fiscal agents</i>	270
<i>Due from other governments</i>	273,499
<i>Inventories</i>	44,252
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	76,652
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	536,210
<i>Building improvements</i>	717,361
<i>Improvements other than buildings</i>	143,906
<i>Mobile equipment</i>	508,517
<i>Furniture and equipment</i>	198,806
Total Assets	<u>3,646,227</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	647,599
<i>Unearned revenue</i>	813
<i>Interest payable on long-term liabilities</i>	14,873
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	237,000
<i>Non-capital related liabilities</i>	64,625
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	1,143,000
<i>Non-capital related liabilities</i>	111,988
Total Liabilities	<u>2,219,898</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	801,452
Restricted Net Assets	
Expendable:	
School-based activities	83,356
Capital improvements	449,913
Forestry improvements	55,105
Unemployment benefits	42,856
Unrestricted	(6,353)
Total Net Assets	<u>\$ 1,426,329</u>

The accompanying notes are an integral part of this statement.

QUITMAN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
<i>Instruction</i>	7,061,814	40,375	1,702,747	56,015	(5,262,677)
<i>Support services</i>	4,671,321	--	1,304,444	--	(3,366,877)
<i>Noninstructional services</i>	1,217,744	107,012	1,072,024	4,601	(34,107)
<i>Sixteenth section</i>	8,618	24,891	--	--	16,273
<i>Interest on long-term liabilities</i>	82,561	--	--	--	(82,561)
Total Governmental Activities	<u>\$ 13,042,058</u>	<u>\$ 172,278</u>	<u>\$ 4,079,215</u>	<u>\$ 60,616</u>	<u>(8,729,949)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					1,794,531
<i>Debt purpose levies</i>					85,537
Unrestricted grants and contributions:					
<i>State</i>					5,957,953
<i>Federal</i>					505,721
<i>Unrestricted investment earnings</i>					24,963
<i>Sixteenth section sources</i>					443,267
<i>Other</i>					154,001
Total General Revenues					<u>8,965,973</u>
Change in Net Assets					<u>236,024</u>
Net Assets - Beginning, as originally reported					1,086,963
Prior Period Adjustment					103,342
Net Assets - Beginning, as restated					<u>1,190,305</u>
Net Assets - Ending					<u>\$ 1,426,329</u>

The accompanying notes are an integral part of this statement.

QUITMAN COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	General Fund	Title I Fund
Assets		
<i>Cash and cash equivalents</i>	\$ 380,316	\$ --
<i>Cash with fiscal agents</i>	--	--
<i>Due from other governments</i>	75,813	101,230
<i>Due from other funds</i>	239,204	8,631
<i>Inventories</i>	--	--
Total Assets	\$ 695,333	\$ 109,861

Liabilities and Fund Balances

Liabilities:

<i>Accounts payable and accrued liabilities</i>	\$ 497,486	\$ 50,505
<i>Due to other funds</i>	13,935	59,356
<i>Unearned revenue</i>	--	--
Total Liabilities	511,421	109,861

Fund Balances:

Reserved for:

<i>Inventory</i>	--	--
<i>Unemployment benefits</i>	--	--
<i>Forestry improvements</i>	--	--
<i>Capital projects funds</i>	--	--
<i>Debt service funds</i>	--	--

Unreserved:

Undesignated, reported in:

<i>General fund</i>	183,912	--
<i>Special Revenue funds</i>	--	--
Total Fund Balances	183,912	--

Total Liabilities and Fund Balances	\$ 695,333	\$ 109,861
-------------------------------------	------------	------------

The accompanying notes are an integral part of this statement.

Building Project Fund	Other Governmental Funds	Total Governmental Funds
\$ 449,913	\$ 316,525	\$ 1,146,754
--	270	270
--	96,456	273,499
--	36,578	284,413
--	44,252	44,252
<u>\$ 449,913</u>	<u>\$ 494,081</u>	<u>\$ 1,749,188</u>
\$ --	\$ 99,608	\$ 647,599
--	211,122	284,413
--	813	813
<u>--</u>	<u>311,543</u>	<u>932,825</u>
--	44,252	44,252
--	42,856	42,856
--	55,105	55,105
449,913	--	449,913
--	1,221	1,221
--	--	183,912
--	39,104	39,104
449,913	182,538	816,363
<u>\$ 449,913</u>	<u>\$ 494,081</u>	<u>\$ 1,749,188</u>

QUITMAN COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010*

Total Fund Balances - Governmental Funds	\$ 816,363
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	2,181,452
Liabilities due in one year are not recognized in the funds.	(301,625)
Payables for bond interest which are not due in the current period are not reported in the funds.	(14,873)
Payables for notes not due in the current period are not reported in the funds.	(569,281)
Payables for compensated absences not due in the current period are not reported in the funds.	(82,707)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	<u>(603,000)</u>
Total Net Assets - Governmental Activities	<u>\$ 1,426,329</u>

The accompanying notes are an integral part of this statement.

This page left blank intentionally.

QUITMAN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Title I Fund
	<u> </u>	<u> </u>
Revenues:		
Local sources	\$ 2,033,027	\$ --
State sources	5,771,315	--
Federal sources	44,900	1,068,682
Sixteenth section sources	--	--
Total Revenues	<u>7,849,242</u>	<u>1,068,682</u>
Expenditures:		
Instruction	4,656,932	616,375
Support services	3,187,610	363,617
Noninstructional services	28,325	84,321
Sixteenth section	--	--
Debt service:		
Principal	--	--
Interest	12,687	--
Total Expenditures	<u>7,885,554</u>	<u>1,064,313</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(36,312)</u>	<u>4,369</u>
Other Financing Sources (Uses):		
Transfers in	588,600	--
Other financing sources	--	--
Transfers out	(612,955)	(29,764)
Total Other Financing Sources (Uses)	<u>(24,355)</u>	<u>(29,764)</u>
Net Change in Fund Balances	<u>(60,667)</u>	<u>(25,395)</u>
Fund Balances:		
July 1, 2009	244,579	25,395
Increase (Decrease) in reserve for inventory	--	--
June 30, 2010	<u>\$ 183,912</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Building Project Fund	Other Governmental Funds	Total Governmental Funds
\$ 7,531	\$ 152,477	\$ 2,193,035
--	615,228	6,386,543
--	3,103,379	4,216,961
--	468,158	468,158
<u>7,531</u>	<u>4,339,242</u>	<u>13,264,697</u>
--	1,791,231	7,064,538
48,180	1,181,391	4,780,798
--	1,112,195	1,224,841
--	8,618	8,618
--	288,061	288,061
--	72,977	85,664
<u>48,180</u>	<u>4,454,473</u>	<u>13,452,520</u>
<u>(40,649)</u>	<u>(115,231)</u>	<u>(187,823)</u>
25,500	660,531	1,274,631
--	13,385	13,385
--	(631,912)	(1,274,631)
<u>25,500</u>	<u>42,004</u>	<u>13,385</u>
<u>(15,149)</u>	<u>(73,227)</u>	<u>(174,438)</u>
465,062	226,440	961,476
--	29,325	29,325
<u>\$ 449,913</u>	<u>\$ 182,538</u>	<u>\$ 816,363</u>

QUITMAN COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010*

Net Change in Fund Balances - Governmental Funds	\$ (174,438)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	264,187
The depreciation of capital assets used in governmental activities is not reported in the funds.	(165,336)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(5,695)
Repayment of certificates of participation principal is expenditure in the funds, is not expense in SOA.	156,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	132,061
(Increase) decrease in accrued interest from beginning of period to end of period.	3,103
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	29,325
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>(3,183)</u>
Change in Net Assets of Governmental Activities	<u>\$ 236,024</u>

The accompanying notes are an integral part of this statement.

QUITMAN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency Funds</u>
Assets	
<i>Cash and other deposits</i>	\$ 24,455
Total Assets	<u>\$ 24,455</u>
Liabilities	
<i>Due to student clubs</i>	\$ 24,455
Total Liabilities	<u>\$ 24,455</u>

The accompanying notes are an integral part of this statement.

Quitman County School District

Notes to the Financial Statements
June 30, 2010

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

(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, Quitman 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.

The Quitman County Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a three member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is a part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the School District (See Note 9).

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

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 inter-und 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.

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 as separate columns

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

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 fund that operates the Title I grants to local education agencies passed through the Mississippi Department of Education.

Building Project Fund - This fund is used to account for new construction projects.

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

The District's fiduciary funds include the Agency Funds, which do not measure results of operations but rather report resources held by the district in a custodial capacity.

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 Project 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.

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.

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

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.

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.

Quitman County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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

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

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

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 the *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

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

F. Assets, liabilities, and net assets 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.

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Quitman County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

Quitman County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

	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 4 for details.

7. Compensated Absences

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

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

8. Long-term Liabilities, 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.

Quitman County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

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 5 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 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 capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any other purpose than that for which it is restricted.

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 forestry improvements purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

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

(2) Cash and Cash Equivalents and Cash with Fiscal Agents

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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.

Cash and Cash Equivalents

The carrying amount of the school district's deposits reported in the governmental funds and fiduciary funds was \$1,146,754 and \$24,455, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$1,146,754. The bank balance was \$2,311,760.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, none of the district's bank balance of \$2,311,760 was exposed to custodial credit risk.

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$270.

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 59,356
	Other Governmental Funds	179,848
Title I Fund	General Fund	8,631
Other Governmental Funds	General Fund	5,304
	Other Governmental Funds	<u>31,274</u>
Total		<u>\$ 284,413</u>

Inter-fund loans exist primarily to avoid a deficit cash balance in federal funds. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 29,764
	Other Governmental Funds	558,836
Other Governmental Funds	General Fund	587,455
	Other Governmental Funds	73,076
Building Project Fund	General Fund	25,500
Total		<u>\$ 1,274,631</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Quitman County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

(4) Capital Assets

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

	Balance 7-1-2009	Additions	Retirements	Adjustments	Balance 6-30-2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 76,652				76,652
Total non-depreciable capital assets	76,652	0	0	0	76,652
<u>Depreciable capital assets:</u>					
Buildings	1,411,079				1,411,079
Building improvements	1,388,212				1,388,212
Improvements other than buildings	163,529				163,529
Mobile equipment	1,551,688	142,544		(282,221)	1,412,011
Furniture and equipment	436,653	121,643		(10,761)	547,535
Leased property under capital leases	13,112		13,112		0
Total depreciable capital assets	4,964,273	264,187	13,112	(292,982)	4,922,366
<u>Less accumulated depreciation for:</u>					
Buildings	846,647	28,222			874,869
Building improvements	615,323	55,528			670,851
Improvements other than buildings	13,083	6,540			19,623
Mobile equipment	1,186,013	58,650		(341,169)	903,494
Furniture and equipment	387,488	16,396		(55,155)	348,729
Leased property under capital leases	7,417		7,417		0
Total accumulated depreciation	3,055,971	165,336	7,417	(396,324)	2,817,566
Total depreciable capital assets, net	1,908,302	98,851	5,695	103,342	2,104,800
Governmental activities capital assets, net	\$ 1,984,954	98,851	5,695	103,342	2,181,452

Adjustments were made to accurately present capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 115,736
Support services	33,067
Non-instructional	16,533
Total depreciation expense	<u>\$ 165,336</u>

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

(5) Long-term liabilities

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

	Balance 7-1-2009	Additions	Reductions	Balance 6-30-2010	Amounts due within one year
A. Certificates of participation payable	\$ 922,000		156,000	766,000	163,000
B. Three mill notes payable	685,000		71,000	614,000	74,000
C. Shortfall notes payable	154,967		61,061	93,906	64,625
D. Compensated absences payable	79,524	3,183		82,707	
Total	\$ 1,841,491	3,183	288,061	1,556,613	301,625

A. Certificates of participation payable

As more fully explained in Note 9, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation payable, Series 2004	4.45%	07-02-04	03-01-15	\$ 1,630,000	766,000
Total				\$ 1,630,000	766,000

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 163,000	34,086	197,086
2012	170,000	26,834	196,834
2013	177,000	15,330	192,330
2014	185,000	7,276	192,276
2015	71,000	1,580	72,580
Total	\$ 766,000	85,106	851,106

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

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

B. Three Mill Notes Payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill note, Series 2006	4.11%	09-15-06	06-15-16	\$ 950,000	614,000
Total				\$ 950,000	614,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 74,000	23,175	97,175
2012	77,000	20,612	97,612
2013	80,000	17,385	97,385
2014	84,000	14,015	98,015
2015	146,000	9,289	155,289
2016	153,000	3,144	156,144
Total	\$ 614,000	87,620	701,620

This debt will be retired from the Three Mill Note Retirement Fund.

C. Shortfall Notes Payable

Debt currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall Tax Note, Series 2008	5.13%	12-18-07	12-18-10	\$ 105,000	37,000
Shortfall Tax Note, Series 2009	4.25%	11-14-08	11-14-11	82,967	56,906
Total				\$ 187,967	93,906

Quitman County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

Details of the district's June 30, 2010 shortfall notes payable are as follows:

1. Shortfall Tax Note, Series 2008

Year Ending June 30		Principal	Interest	Total
2011	\$	37,000	1,896	38,896
Total	\$	<u>37,000</u>	<u>1,896</u>	<u>38,896</u>

2. Shortfall Tax Note, Series 2009

Year Ending June 30		Principal	Interest	Total
2011	\$	27,625	2,418	30,043
2012		29,281	1,244	30,525
Total	\$	<u>56,906</u>	<u>3,662</u>	<u>60,568</u>

Total shortfall tax note payments for all issues:

Year Ending June 30		Principal	Interest	Total
2011	\$	64,625	4,314	68,939
2012		29,281	1,244	30,525
Total	\$	<u>93,906</u>	<u>5,558</u>	<u>99,464</u>

This debt will be retired from the District Maintenance Fund and the Three Mill Note Retirement Fund.

D. Compensated absences payable

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

(6) 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

Quitman County School District

Notes to the Financial Statements For the Year Ended June 30, 2010

Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 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, 2010 was 12.00% of the 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, 2010, 2009 and 2008 were \$849,596, \$858,955, and \$870,862, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands

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

Year Ending June 30		Amount
2011	\$	276,435
2012		168,550
2013		61,900
Total	\$	<u>506,885</u>

(8) 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.

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

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 63 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.

(9) Trust Certificates

A trust agreement dated July 2, 2004, was executed by and between the school district and Hancock Bank, as trustees.

The trust agreement authorized the refunding of trust certificates in the original principal amount of \$1,630,000. The project is leased to the district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the district upon complete retirement of the trust certificates. The district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

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

Quitman County School District

Notes to the Financial Statements
For the Year Ended June 30, 2010

(10) Alternative School Consortium

The school district entered into an Alternative School Agreement dated August 10, 2000, creating the North-Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes: Coahoma County School District, Coahoma Agricultural High School, Drew School District, East Tallahatchie School District, Mound Bayou Public School District, North Bolivar School District, Quitman County School District, Sunflower County School District and West Tallahatchie School District.

Section 37-13-92, 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 district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students is the responsibility of the individual school district.

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.

(11) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>		<u>Amount</u>
Adjustments were made to accurately present capital assets.	\$	<u>103,342</u>
Total	\$	<u><u>103,342</u></u>

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

QUITMAN COUNTY SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,100,672	2,033,028	2,033,027	(67,644)	(1)
State sources	6,812,110	5,771,314	5,771,315	(1,040,796)	1
Federal sources	60,000	44,901	44,900	(15,099)	(1)
Total Revenues	<u>8,972,782</u>	<u>7,849,243</u>	<u>7,849,242</u>	<u>(1,123,539)</u>	<u>(1)</u>
Expenditures:					
Instruction	5,200,036	4,656,483	4,656,932	543,553	(449)
Support services	3,393,563	3,187,608	3,187,610	205,955	(2)
Noninstructional services	40,055	28,325	28,325	11,730	0
Debt Service:					
Interest		12,687	12,687	(12,687)	0
Total Expenditures	<u>8,633,654</u>	<u>7,885,103</u>	<u>7,885,554</u>	<u>748,551</u>	<u>(451)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>339,128</u>	<u>(35,860)</u>	<u>(36,312)</u>	<u>(374,988)</u>	<u>(452)</u>
Other Financing Sources (Uses):					
Operating transfers in	451,981	814,480	588,600	362,499	(225,880)
Operating transfers out	(729,589)	(831,472)	(612,955)	(101,883)	218,517
Total Other Financing Sources (Uses)	<u>(277,608)</u>	<u>(16,992)</u>	<u>(24,355)</u>	<u>260,616</u>	<u>(7,363)</u>
Net Change in Fund Balances	<u>61,520</u>	<u>(52,852)</u>	<u>(60,667)</u>	<u>(114,372)</u>	<u>(7,815)</u>
Fund Balances:					
July 1, 2009	<u>252,847</u>	<u>231,908</u>	<u>244,579</u>	<u>(20,939)</u>	<u>12,671</u>
June 30, 2010	<u>\$ 314,367</u>	<u>179,056</u>	<u>183,912</u>	<u>(135,311)</u>	<u>4,856</u>

The notes to the required supplementary information are an integral part of this schedule.

QUITMAN COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,143,595	1,068,682	1,068,682	(74,913)	0
Total Revenues	<u>1,143,595</u>	<u>1,068,682</u>	<u>1,068,682</u>	<u>(74,913)</u>	<u>0</u>
Expenditures:					
Instruction	460,106	616,374	616,375	(156,268)	(1)
Support services	560,206	363,618	363,617	196,588	1
Noninstructional services	105,259	84,321	84,321	20,938	0
Total Expenditures	<u>1,125,571</u>	<u>1,064,313</u>	<u>1,064,313</u>	<u>61,258</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>18,024</u>	<u>4,369</u>	<u>4,369</u>	<u>(13,655)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers out	(18,024)	(29,764)	(29,764)	(11,740)	0
Total Other Financing Sources (Uses)	<u>(18,024)</u>	<u>(29,764)</u>	<u>(29,764)</u>	<u>(11,740)</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>(25,395)</u>	<u>(25,395)</u>	<u>(25,395)</u>	<u>0</u>
Fund Balances:					
July 1, 2009	<u>25,395</u>	<u>25,395</u>	<u>25,395</u>	<u>0</u>	<u>0</u>
June 30, 2010	<u>\$ 25,395</u>	<u>0</u>	<u>0</u>	<u>(25,395)</u>	<u>0</u>

The notes to the required supplementary information are an integral part of this schedule.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Quitman County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2010

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

Quitman County School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2010

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-Through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 339,846
National School Lunch Program	10.555	608,038
Summer Food Program	10.559	4,602
Total Child Nutrition Cluster		952,486
ARRA - Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	113,600
Total Passed-Through the Mississippi Department of Education		1,066,086
Total U.S. Department of Agriculture		1,066,086
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	44,327
Total Federal Communications Commission		44,327
<u>U.S. Department of Education</u>		
Passed-Through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,094,077
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	652,094
Total Title I Cluster		1,746,171
Career and Technical Education - Basic Grants to States	84.048	31,838
Safe and Drug Free Schools and Communities - State Grants	84.186	7,647
Twenty-First Century Community Learning Center	84.287	161,547
Education Technology State Grants	84.318	10,219
Rural Education	84.358	34,971
Improving Teacher Quality - State Grants	84.367	156,130
School Improvement Grants	84.377	5,962
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	461,394
Total		869,708
Special Education Cluster:		
Special Education - Grants to States	84.027	297,552
Special Education - Preschool Grants	84.173	2,674
ARRA - Special Education Grants to States, Recovery Act	84.391	80,391
Total Special Education Cluster		380,617
Total Passed-Through the Mississippi Department of Education		2,996,496
Total U.S. Department of Education		2,996,496
<u>Corporation for National and Community Service</u>		
Passed-Through Mississippi Department of Education:		
Learn and Serve America - School and Community Based Programs	94.004	4,917
Total Corporation for National and Community Service		4,917
Total for all Federal Awards		\$ 4,111,826

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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.

Quitman County School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2010

Schedule 2

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Expenditures</u>			<u>Other</u>
		<u>Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	
Salaries and fringe benefits	\$ 9,760,035	7,115,181	753,968	709,125	1,181,761
Other	3,692,485	1,458,089	213,333	19,839	2,001,224
Total	\$ 13,452,520	8,573,270	967,301	728,964	3,182,985

Total number of students * 1,319

Cost per student \$ 10,199 6,500 733 553 2,413

NOTES TO SCHEDULE

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

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

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

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

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

OTHER SUPPLEMENTAL INFORMATION

QUITMAN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 2,033,027	2,097,995	1,854,903	1,865,632
State sources	5,771,315	6,748,506	7,205,393	6,929,311
Federal sources	44,900	56,888	80,247	120,271
Total Revenues	<u>7,849,242</u>	<u>8,903,389</u>	<u>9,140,543</u>	<u>8,915,214</u>
Expenditures:				
Instruction	4,656,932	5,322,930	5,802,882	5,513,142
Support services	3,187,610	3,479,414	3,421,253	3,354,116
Noninstructional services	28,325	38,826	67,337	103,499
Debt Service:				
Interest	12,687			
Total Expenditures	<u>7,885,554</u>	<u>8,841,170</u>	<u>9,291,472</u>	<u>8,970,757</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(36,312)</u>	<u>62,219</u>	<u>(150,929)</u>	<u>(55,543)</u>
Other Financing Sources (Uses):				
Proceeds of loans		72,767	103,496	
Sale of transportation equipment		1,000	150	1,215
Operating transfers in	588,600	379,827		493,944
Operating transfers out	(612,955)	(581,728)	(322,773)	(886,678)
Total Other Financing Sources (Uses)	<u>(24,355)</u>	<u>(128,134)</u>	<u>(219,127)</u>	<u>(391,519)</u>
Net Change in Fund Balances	<u>(60,667)</u>	<u>(65,915)</u>	<u>(370,056)</u>	<u>(447,062)</u>
Fund Balances:				
July 1,	244,579	310,494	680,550	1,127,612
June 30,	<u>\$ 183,912</u>	<u>244,579</u>	<u>310,494</u>	<u>680,550</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

QUITMAN COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 2,193,035	2,327,097	2,018,401	2,063,446
State sources	6,386,543	7,489,239	7,760,524	7,960,282
Federal sources	4,216,961	3,284,272	3,190,980	3,048,564
Sixteenth section sources	468,158	154,575	423,773	101,954
Total Revenues	<u>13,264,697</u>	<u>13,255,183</u>	<u>13,393,678</u>	<u>13,174,246</u>
Expenditures:				
Instruction	7,064,538	7,178,639	7,155,176	6,695,626
Support services	4,780,798	5,083,668	5,024,680	5,422,647
Noninstructional services	1,224,841	1,112,258	1,201,554	1,572,769
Sixteenth section	8,618	38,307	8,371	
Facilities acquisition and construction			114,208	
Debt service:				
Principal	288,061	250,000	208,000	269,000
Interest	85,664	73,171	101,149	89,403
Other				6,679
Total Expenditures	<u>13,452,520</u>	<u>13,736,043</u>	<u>13,813,138</u>	<u>14,056,124</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(187,823)</u>	<u>(480,860)</u>	<u>(419,460)</u>	<u>(881,878)</u>
Other Financing Sources (Uses):				
Proceeds of general obligation bonds				950,000
Proceeds of loans		82,967	105,000	
Sale of other property				1,215
Sale of transportation equipment		1,000	150	
Operating transfers in	1,274,631	1,035,054	826,405	1,150,368
Other financing sources	13,385		5,000	
Operating transfers out	(1,274,631)	(1,035,054)	(826,405)	(1,150,368)
Total Other Financing Sources (Uses)	<u>13,385</u>	<u>83,967</u>	<u>110,150</u>	<u>951,215</u>
Net Change in Fund Balances	<u>(174,438)</u>	<u>(396,893)</u>	<u>(309,310)</u>	<u>69,337</u>
Fund Balances:				
July 1,	961,476	1,354,349	1,671,237	1,602,051
Increase (Decrease) in reserve for inventory	29,325	4,020	(7,578)	(151)
June 30,	<u>\$ 816,363</u>	<u>961,476</u>	<u>1,354,349</u>	<u>1,671,237</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE REPORT

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Quitman County School District as of and for the year ended June 30, 2010, which collectively comprise the Quitman County School District's basic financial statements and have issued our report thereon dated April 5, 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting [Finding **2010-1**]. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated April 5, 2011, which is included in this report.

Quitman County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Quitman County School District's response and, accordingly, we express no opinion on it.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 5, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Quitman County School District

Compliance

We have audited the compliance of the Quitman County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Quitman County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, the Quitman County School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292, Fax (601) 992-2033

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 5, 2011

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District as of and for the year ended June 30, 2010, which collectively comprise Quitman County School District's basic financial statements and have issued our report thereon dated April 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$12,827 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:

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292, Fax (601) 992-2033

Finding 1:

Section 27-105-315, Miss. Code Ann. (1972), states, “Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end. A public entity established during the year shall furnish its official name, address and federal tax identification number to the State Treasurer before making any public deposit.”

During the course of test work performed, we noted that the district was not reconciling bank balances to the State Treasurer’s Collateral Sufficiency Report that is provided quarterly to the district.

Recommendation:

We recommend that the district comply with Section 27-105-315, Miss. Code Ann. (1972), by including all depository institutions and depository accounts on the State Treasurer’s Collateral Sufficiency Report so that the proper collateralization of the deposits can be reviewed by that office.

Response:

The District will comply with Section 27-105-315, Miss. Code Ann. (1972), by including all depository institutions and depository accounts on the State Treasurer’s Collateral Sufficiency Report so that the proper collateralization of the deposits can be reviewed by that office.

Finding 2:

Section 29-3-121, Miss. Code Ann. (1972), states, “It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year.” The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by Section 29-3-119, Miss. Code Ann. (1972). During the course of audit, the auditors noted the District was unable to provide supporting documentation for compliance with this requirement.

Recommendation:

We recommend that the district implement policies and procedures to ensure all lists are prepared, sent to appropriate districts by December 31 of each year and maintain an adequate record, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

Response:

The District will comply with Section 29-3-121, Miss. Code Ann. (1972).

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 Quitman 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 5, 2011

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Quitman County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Noncompliance material to financial statements noted? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - 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: Unqualified.
5. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Title I Cluster
CFDA # 84.010
CFDA # 84.389
 - b. Special Education Cluster:
CFDA # 84.027
CFDA # 84.173
CFDA # 84.391
 - c. ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants,
Recovery Act
CFDA # 84.394
 - d. ARRA - Child Nutrition Discretionary Grants Limited Availability, Recovery Act
CFDA# 10.579

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

Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Significant Deficiency:

Finding 2010-1:

Sound internal control dictates that the individual responsible for recording transactions should not be the same individual responsible for reviewing and/or reconciling the related accounts. Journal entries were made after bank reconciliations were performed causing differences in actual book balances and balances on the reconciliation. The Business Manager is responsible for both recording transactions through the journal entry process and reconciling the bank statements. There were also handwritten checks found which violated the board's policy on checks. Control account reconciliation review should be performed by someone other than the person with reconciling functions. When one individual performs both recording and reconciling functions, proper independent oversight of these tasks is not being achieved.

Recommendation:

Duties should be separated so that the Business Manager is not the only person involved in the bank account reconciliation process and the journal entry recording process. Journal entries should not be made after bank reconciliations are performed to prevent misstatement of actual book balance. We also recommend the district to prepare bank reconciliations to the general ledger monthly, and follow the board's policy of not writing handwritten checks.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT
FINDINGS

Quitman County School District
P.O. Drawer E
Marks, MS 38646
Valmadge Towner - Superintendent
Miron Thompson - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the Quitman County School District has prepared and hereby submits the following corrective action plan for the finding included on the Schedule of Findings and Questioned Costs for the Year ended June 30, 2010:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2010-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Miron Thompson Title: Business Manager Phone Number: 662-326-5451</p> <p>b. Corrective Action Planned:</p> <p>Duties will be separated so that the Business Manager is not the only person involved in the bank account reconciliation process and the journal entry recording processes. Journal entries will not be made after bank reconciliations are performed to prevent misstatement of actual book balance. The district will prepare bank reconciliations to the general ledger monthly, and follow the board's policy of not writing handwritten checks.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2011</p>

Quitman County School District
P.O. Drawer E
Marks, MS 38646
Valmadge Towner - Superintendent
Miron Thompson - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the Quitman County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2010:

<u>Finding</u>	<u>Status</u>
2009-2	Corrected