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Richton School District

Audited Financial Statements
June 30, 2010

Fortenberry & Ballard, PC
Certified Public Accountants

**Richton School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, P.C.
Certified Public Accountants

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

Superintendent and School Board
Richton School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Richton School District as of and for the year ended June 30, 2010, which collectively comprise the Richton School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Richton 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 Richton 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 January 27, 2011, on our consideration of the Richton School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that

collectively comprise the Richton 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 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
January 27, 2011

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Richton 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 \$459,645, including a prior period adjustment of \$168,351, which represents a 16% increase from fiscal year 2009.
- General revenues amounted to \$4,514,892 and \$4,655,688, or 78% and 79% 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 \$1,302,843, or 22% of total revenues for 2010, and \$1,211,620, or 21% of total revenues for 2009.
- The District had \$5,526,441 and \$5,947,388 in expenses for fiscal years 2010 and 2009; only \$1,302,843 for 2010 and \$1,211,620 for 2009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$4,514,892 for 2010 were adequate to provide for these programs. General revenues of \$4,655,688 for 2009 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$4,127,106 in revenues and \$3,885,752 in expenditures for 2010, and \$4,587,165 in revenues and \$4,440,083 in expenditures for 2009. The General Fund's fund balance increased by \$248,973 from 2009 to 2010 and decreased by \$244,430, including a prior period adjustment of (\$30,021), from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$74,496 for 2010 and decreased by \$57,136 for 2009. The increase for 2010 was due primarily to the additions of building improvements and furniture and equipment.
- Long-term debt increased by \$323,457 for 2010 and decreased by \$163,432 for 2009. The increase for 2010 was due primarily to issuance of a qualified school construction bond. The liability for compensated absences decreased by \$11,955 for 2010 and increased by \$3,171 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 supplemental 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.

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 \$3,416,037 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	\$ 636,532	877,945	(27)%
Restricted assets	646,511	41,211	1469%
Capital assets, net	<u>3,772,735</u>	<u>3,698,239</u>	2%
Total assets	<u>5,055,778</u>	<u>4,617,395</u>	9%
Current liabilities	115,136	447,900	(74)%
Long-term debt	<u>1,524,605</u>	<u>1,213,103</u>	26%
Total liabilities	<u>1,639,741</u>	<u>1,661,003</u>	(1)%
Net assets:			
Invested in capital assets, net of related debt	2,282,029	2,530,990	(10)%
Restricted	857,262	409,584	109%
Unrestricted	<u>276,746</u>	<u>15,818</u>	1650%
Total net assets	<u>\$ 3,416,037</u>	<u>2,956,392</u>	16%

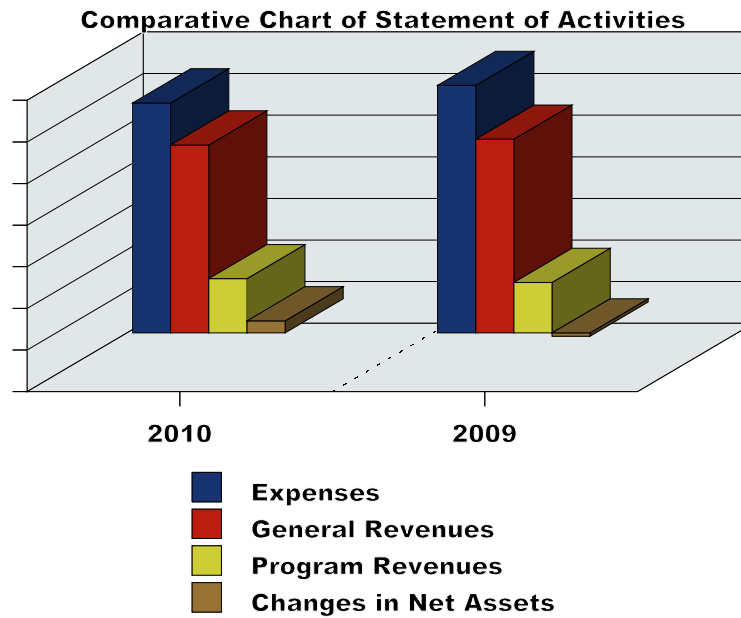
The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- Increase in net capital assets in the amount of \$74,496.
- The principal retirement of \$176,543 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2010 and June 30, 2009 were \$5,817,735 and \$5,867,308 respectively. The total cost of all programs and services was \$5,526,441 and \$5,947,388 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	\$ 201,803	209,903	(4)%
Operating grants and contributions	1,101,040	1,001,717	10%
Total program revenues	<u>1,302,843</u>	<u>1,211,620</u>	8%
General Revenues:			
Property taxes	789,834	812,392	(3)%
Grants and contributions not restricted	3,527,308	3,797,032	(7)%
Unrestricted investment earnings	9,095	12,328	(26)%
Sixteenth section sources	177,451	7,385	2303%
Other	11,204	26,551	(58)%
Total general revenues	<u>4,514,892</u>	<u>4,655,688</u>	(3)%
Total revenues	<u>5,817,735</u>	<u>5,867,308</u>	(1)%
Expenses:			
Instruction	3,468,931	3,489,877	(1)%
Support services	1,587,345	1,907,211	(17)%
Non-instructional	407,952	439,077	(7)%
Sixteenth section	17,074	50,689	(66)%
Interest on long-term debt liabilities	45,139	60,534	(25)%
Total expenses	<u>5,526,441</u>	<u>5,947,388</u>	(7)%
Increase (Decrease) in net assets	291,294	(80,080)	464%
Net Assets, July 1, as originally reported	2,956,392	3,101,661	(5)%
Prior period adjustment	168,351	(65,189)	358%
Net Assets, July 1, as restated	<u>3,124,743</u>	<u>3,036,472</u>	3%
Net Assets, June 30	<u>\$ 3,416,037</u>	<u>2,956,392</u>	16%



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 shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

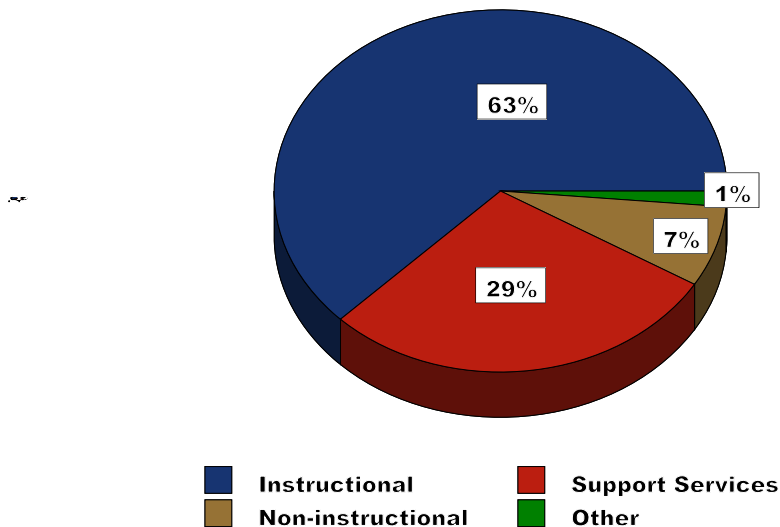
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		
	2010	2009	Percentage Change
Instruction	\$ 3,468,931	3,489,877	(1)%
Support services	1,587,345	1,907,211	(17)%
Non-instructional	407,952	439,077	(7)%
Sixteenth section	17,074	50,689	(66)%
Interest on long-term liabilities	45,139	60,534	(25)%
Total Expenses	\$ 5,526,441	5,947,388	(7)%

Net (Expense) Revenue

	2010	2009	Percentage Change
Instruction	\$ (2,776,479)	(2,937,046)	(5)%
Support services	(1,401,167)	(1,704,988)	(18)%
Non-instructional	16,261	(6,985)	(333)%
Sixteenth section	(17,074)	(26,215)	(35)%
Interest on long-term liabilities	(45,139)	(60,534)	(25)%
Total Net (Expense) Revenue	\$ (4,223,598)	(4,735,768)	(11)%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities, (\$4,223,598 for 2010 and \$4,735,768 for 2009) was financed by general revenue, which is made up of primarily property taxes of (\$789,834 for 2010 and \$812,392 for 2009). In addition, there was \$177,451 and \$7,385 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$9,095 for 2010 and \$12,328 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 \$1,177,523, an increase of \$694,160, which includes an increase in inventory of \$8,123. \$376,252 or 32% 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 \$801,271 or 68% 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 increase in fund balance in the General Fund for the fiscal year was \$248,973. The fund balance of Other Governmental Funds showed an increase in the amount of \$10,906. The other increase (decrease) in the fund balance for the other major funds were as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	\$ (919)
ARRA Title I Fund	No increase or decrease
Sixteenth Section Interest Fund	(8,132)
Qualified School Construction Fund	444,636
MAEP Debt Service Fund	(1,304)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Beginning fund balance was adjusted to actual between the original and final budgets.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$6,751,438, including land, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$255,407 from 2009.

Total accumulated depreciation as of June 30, 2010 was \$2,978,703 and total depreciation expense for the year was \$146,928, resulting in total net capital assets of \$3,772,735.

Table 4
Capital Assets

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 108,253	108,253	0%
Buildings	2,339,290	2,401,818	(3)%
Building improvements	935,766	769,321	22%
Improvements other than buildings	148,687	158,599	(6)%
Mobile equipment	161,700	178,782	(10)%
Furniture and equipment	11,719	3,130	274%
Leased property under capital leases	67,320	78,336	(14)%
Total	\$ <u>3,772,735</u>	<u>3,698,239</u>	<u>2%</u>

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

Debt Administration. At June 30, 2010, the District had \$1,524,605 in outstanding long-term debt, of which \$179,706 is due within one year. The liability for compensated absences at June 30, 2010 was \$33,899, a decrease of \$11,955 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Limited obligation bonds payable	390,000	480,000	(19)%
Three mill notes payable	\$ 574,000	635,000	(10)%
Obligations under capital leases	26,706	52,249	(49)%
Qualified school construction bond payable	500,000		
Compensated absences payable	33,899	45,854	(26)%
Total	\$ <u>1,524,605</u>	<u>1,213,103</u>	<u>26%</u>

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

CURRENT ISSUES

The Richton 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 decreased by 12% to 660 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Richton School District, PO Box 568, Richton, MS 39476.

FINANCIAL STATEMENTS

RICHTON SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 415,188
<i>Investments</i>	17,259
<i>Due from other governments</i>	183,420
<i>Accrued interest receivable</i>	137
<i>Inventories</i>	20,528
<i>Restricted assets</i>	646,511
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	108,253
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	2,339,290
<i>Building improvements</i>	935,766
<i>Improvements other than buildings</i>	148,687
<i>Mobile equipment</i>	161,700
<i>Furniture and equipment</i>	11,719
<i>Leased property under capital leases</i>	67,320
Total Assets	<u>5,055,778</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	102,704
<i>Unearned revenue</i>	2,816
<i>Interest payable on long-term liabilities</i>	9,616
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	179,706
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	1,311,000
<i>Non-capital related liabilities</i>	33,899
Total Liabilities	<u>1,639,741</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,282,029
Restricted Net Assets:	
Expendable:	
School Based Activities	86,135
Debt Service	180,662
Capital Improvements	498,703
Forestry Improvements	24,524
Unemployment Purposes	25,610
Sixteenth Section	417
Non-expendable:	
Sixteenth Section	41,211
Unrestricted	276,746
Total Net Assets	<u>\$ 3,416,037</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	3,468,931	60,662	631,790	(2,776,479)
<i>Support services</i>	1,587,345	14,359	171,819	(1,401,167)
<i>Noninstructional services</i>	407,952	126,782	297,431	16,261
<i>Sixteenth section</i>	17,074	--	--	(17,074)
<i>Interest on long-term liabilities</i>	45,139	--	--	(45,139)
Total Governmental Activities	<u>\$ 5,526,441</u>	<u>\$ 201,803</u>	<u>\$ 1,101,040</u>	<u>(4,223,598)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				789,834
Unrestricted grants and contributions:				
<i>State</i>				3,243,001
<i>Federal</i>				284,307
<i>Unrestricted investment earnings</i>				9,095
<i>Sixteenth section sources</i>				177,451
<i>Other</i>				11,204
Total General Revenues				<u>4,514,892</u>
Change in Net Assets				<u>291,294</u>
Net Assets - Beginning, as originally reported				2,956,392
Prior Period Adjustment				168,351
Net Assets - as restated				<u>3,124,743</u>
Net Assets - Ending				<u>\$ 3,416,037</u>

The accompanying notes are an integral part of this statement.

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RICHTON SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	School Food Service Fund	ARRA Title I Fund
Assets			
<i>Cash and cash equivalents</i>	\$ --	\$ 93,686	\$ --
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	65,837	--	64,477
<i>Accrued interest receivable</i>	--	--	--
<i>Due from other funds</i>	315,062	--	--
<i>Inventories</i>	--	20,528	--
Total Assets	\$ 380,899	\$ 114,214	\$ 64,477
Liabilities and Fund Balances			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 64,316	\$ 3,913	\$ 11,787
<i>Due to other funds</i>	4,242	47,818	52,690
<i>Unearned revenue</i>	--	--	--
<i>Other payables</i>	1,696	--	--
Total Liabilities	70,254	51,731	64,477
Fund Balances:			
Reserved for:			
<i>Inventory</i>	--	20,528	--
<i>Forestry improvements</i>	--	--	--
<i>Unemployment benefits</i>	--	--	--
<i>Capital projects funds</i>	--	--	--
<i>Debt service funds</i>	--	--	--
<i>Permanent funds</i>	--	--	--
Unreserved:			
Undesignated, reported in:			
<i>General fund</i>	310,645	--	--
<i>Special Revenue funds</i>	--	41,955	--
Total Fund Balances	310,645	62,483	--
Total Liabilities and Fund Balances	\$ 380,899	\$ 114,214	\$ 64,477

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Qualified School Construction Fund	MAEP Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 192,403	\$ 444,636	\$ 160,384	\$ 170,590	\$ 1,061,699
--	--	--	17,259	17,259
--	--	--	42,838	173,152
--	--	--	137	137
--	--	--	10,228	325,290
--	--	--	--	20,528
<u>\$ 192,403</u>	<u>\$ 444,636</u>	<u>\$ 160,384</u>	<u>\$ 241,052</u>	<u>\$ 1,598,065</u>

\$ --	\$ --	\$ --	\$ 5,872	\$ 85,888
176,302	--	--	33,970	315,022
--	--	--	2,816	2,816
15,120	--	--	--	16,816
<u>191,422</u>	<u>--</u>	<u>--</u>	<u>42,658</u>	<u>420,542</u>

--	--	--	--	20,528
--	--	--	24,524	24,524
--	--	--	25,610	25,610
--	444,636	--	54,067	498,703
--	--	160,384	29,894	190,278
--	--	--	41,628	41,628
--	--	--	--	310,645
981	--	--	22,671	65,607
<u>981</u>	<u>444,636</u>	<u>160,384</u>	<u>198,394</u>	<u>1,177,523</u>
<u>\$ 192,403</u>	<u>\$ 444,636</u>	<u>\$ 160,384</u>	<u>\$ 241,052</u>	<u>\$ 1,598,065</u>

RICHTON SCHOOL DISTRICT

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

Total Fund Balances - Governmental Funds	\$ 1,177,523
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.	3,772,735
Liabilities due in one year.	(179,706)
Payables for bond principal which are not due in the current period are not reported in the funds.	(800,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(9,616)
Payables for notes which are not due in the current period are not reported in the funds.	(511,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(33,899)</u>
Total Net Assets - Governmental Activities	<u>\$ 3,416,037</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	School Food Service Fund	ARRA Title I Fund
Revenues:			
<i>Local sources</i>	\$ 815,233	\$ 127,821	\$ --
<i>State sources</i>	3,259,534	10,108	--
<i>Federal sources</i>	52,339	297,431	129,472
<i>Sixteenth section sources</i>	--	--	--
Total Revenues	<u>4,127,106</u>	<u>435,360</u>	<u>129,472</u>
Expenditures:			
Instruction	2,457,580	--	128,722
Support services	1,399,310	--	750
Noninstructional services	--	395,503	--
Sixteenth section	--	--	--
Facilities acquisition and construction	--	--	--
Debt service:			
Principal	25,543	--	--
Interest	3,319	--	--
Total Expenditures	<u>3,885,752</u>	<u>395,503</u>	<u>129,472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditure	241,354	39,857	--
Other Financing Sources (Uses):			
Proceeds of general obligation bonds	--	--	--
Insurance loss recoveries	11,837	--	--
Transfers in	232,789	--	--
Other financing sources	4,403	--	--
Transfers out	(241,410)	(48,899)	--
Total Other Financing Sources (Uses)	<u>7,619</u>	<u>(48,899)</u>	<u>--</u>
Net Change in Fund Balances	248,973	(9,042)	--
Fund Balances:			
July 1, 2009	61,672	63,402	--
Increase (decrease) in reserve for inventory	--	8,123	--
June 30, 2010	<u>\$ 310,645</u>	<u>\$ 62,483</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Qualified School Construction Fund	MAEP Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 3,001	\$ 855	\$ 51,745	\$ 998,655
--	--	--	77,056	3,346,698
--	--	--	811,286	1,290,528
177,304	--	--	147	177,451
<u>177,304</u>	<u>3,001</u>	<u>855</u>	<u>940,234</u>	<u>5,813,332</u>
--	--	--	803,613	3,389,915
--	--	--	157,899	1,557,959
--	--	--	546	396,049
15,120	--	--	1,954	17,074
--	58,365	--	--	58,365
--	--	90,000	61,000	176,543
--	--	20,879	23,432	47,630
<u>15,120</u>	<u>58,365</u>	<u>110,879</u>	<u>1,048,444</u>	<u>5,643,535</u>
162,184	(55,364)	(110,024)	(108,210)	169,797
--	500,000	--	--	500,000
--	--	--	--	11,837
--	--	108,720	133,771	475,280
--	--	--	--	4,403
(170,316)	--	--	(14,655)	(475,280)
<u>(170,316)</u>	<u>500,000</u>	<u>108,720</u>	<u>119,116</u>	<u>516,240</u>
(8,132)	444,636	(1,304)	10,906	686,037
9,113	--	161,688	187,488	483,363
--	--	--	--	8,123
<u>\$ 981</u>	<u>\$ 444,636</u>	<u>\$ 160,384</u>	<u>\$ 198,394</u>	<u>\$ 1,177,523</u>

RICHTON 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	\$ 686,037
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	53,073
The depreciation of capital assets used in governmental activities is not reported in the funds.	(146,928)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	90,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	25,543
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	61,000
(Increase) decrease in accrued interest from beginning of period to end of period.	2,491
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	8,123
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	11,955
Proceeds of bonds do not provide revenue in SOA, but are current resources in the funds.	<u>(500,000)</u>
Change in Net Assets of Governmental Activities	<u>\$ 291,294</u>

The accompanying notes are an integral part of this statement.

RICHTON SCHOOL DISTRICT*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**FIDUCIARY FUNDS**JUNE 30, 2010*

	Agency Funds
Assets:	
<i>Cash and other deposits</i>	\$ 300,851
Total Assets	\$ 300,851
Liabilities:	
<i>Accounts Payable & Accrued Liabilities</i>	\$ 271,619
<i>Due to student clubs</i>	18,964
<i>Due to other funds</i>	10,268
Total Liabilities	\$ 300,851

The accompanying notes are an integral part of this statement.

Richton School District

Notes to the Financial Statements
June 30, 2010

Richton 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Richton, Mississippi, since the governing authority of the city selects a majority of the School District's board but does not have a financial accountability for the School District.

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

B. Basis of Presentation

Government-wide Financial Statements:

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Richton School District

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

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 tax 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 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.

School Food Service Fund - This is a special revenue fund used to account for the District's revenues earned and expenditures incurred through the Child Nutrition Cluster federal grant monies, state monies and daily sales.

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

Sixteenth Section Interest Fund - This fund accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures or maintenance and improvements to said property.

Richton School District

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

Qualified School Construction Fund - This fund accounts for funds used for qualified school construction jobs.

MAEP Debt Service Fund - this is a fund used to account for debt service payments, which are guaranteed by Mississippi Adequate Education Program tax revenues received by the district.

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 are used to report resources held by the district in a purely custodial capacity.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is

Richton School District

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

incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

Richton School District

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

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 maintained to account for commitments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in 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.

Richton School District

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

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.

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

Richton School District

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

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:

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

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

7. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated

Richton School District

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

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 Expenses, and Bond Discounts/ Premiums

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

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

9. Fund Equity

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between 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 was 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.

Richton School District

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

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.

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

Unreserved, undesignated - An account that represent portions of fund balance that is expendable available financial resources.

(2) Cash and Cash Equivalents and Investments

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

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

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

Richton School District

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

or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits reported in the governmental funds and fiduciary funds was \$1,061,699 and \$300,851, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$415,188 and restricted assets of \$646,511. The bank balance was \$1,368,575.

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 \$1,368,575 was exposed to custodial credit risk.

Investments

As of June 30, 2010, the district had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Richton Bank & Trust Certificate of Deposit	Unrated	1	\$ 10,000
Richton Bank & Trust Certificate of Deposit	Unrated	1	7,259
Total Investments			<u>\$ 17,259</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2010 the District did not have any investments to which this would apply.

Richton School District

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

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

(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	School Food Service Fund	\$ 47,818
	ARRA Title I Fund	52,690
	Sixteenth Section Interest Fund	176,302
	Other Governmental Funds	31,544
	Agency Funds	6,708
Other Governmental Funds	General Fund	4,242
	Other Governmental Funds	2,426
	Agency Funds	3,560
Total		\$ <u>325,290</u>

The purpose of the most significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 47,818
	Sixteenth Section Interest Fund	170,316
	Other Governmental Funds	14,655
MAEP Debt Service Fund	General Fund	108,720
Other Governmental Funds	General Fund	132,690
	School Food Service Fund	1,081
Total		\$ <u>475,280</u>

Inter-fund transfers were made to provide funds for daily operations. All inter-fund transfers were routine and consistent with the fund making the transfer.

Richton School District

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

(4) Restricted Assets

The restricted assets represent the cash balance totaling \$201,875 and \$444,636, respectively of the Sixteenth Section Principal Fund (Permanent Fund) and the Qualified School Construction Fund which is legally restricted and may not be used for purposes that support the district's programs.

(5) Capital Assets

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

	Balance 7-1-2009	Additions	Adjustments	Balance 6-30-2010
<u>Non-depreciable capital assets:</u>				
Land	\$ 108,253			108,253
Total non-depreciable capital assets	<u>108,253</u>	<u>0</u>	<u>0</u>	<u>108,253</u>
<u>Depreciable capital assets:</u>				
Buildings	4,437,565			4,437,565
Building improvements	874,229	41,194	202,334	1,117,757
Improvements other than buildings	247,808			247,808
Mobile equipment	553,741			553,741
Furniture and equipment	152,035	11,879		163,914
Leased property under capital leases	122,400			122,400
Total depreciable capital assets	<u>6,387,778</u>	<u>53,073</u>	<u>202,334</u>	<u>6,643,185</u>
<u>Less accumulated depreciation for :</u>				
Buildings	2,035,747	62,528		2,098,275
Building improvements	104,908	44,710	32,373	181,991
Improvements other than buildings	89,209	9,912		99,121
Mobile equipment	374,959	17,082		392,041
Furniture and equipment	148,905	1,680	1,610	152,195
Leased property under capital leases	44,064	11,016		55,080
Total accumulated depreciation	<u>2,797,792</u>	<u>146,928</u>	<u>33,983</u>	<u>2,978,703</u>
Total depreciable capital assets, net	<u>3,589,986</u>	<u>(93,855)</u>	<u>168,351</u>	<u>3,664,482</u>
Governmental activities capital assets, net	<u>\$ 3,698,239</u>	<u>(93,855)</u>	<u>168,351</u>	<u>3,772,735</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 102,850
Support services	29,385
Non-instructional	14,693
Total depreciation expense	<u>\$ 146,928</u>

Richton School District

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

(6) 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. Limited obligation bonds payable	\$ 480,000		90,000	390,000	90,000
B. Three mill notes payable	635,000		61,000	574,000	63,000
C. Obligations under capital leases	52,249		25,543	26,706	26,706
D. Qualified school construction bond	0	500,000		500,000	
E. Compensated absences payable	45,854		11,955	33,899	
Total	\$ 1,213,103	500,000	188,498	1,524,605	179,706

A. Limited Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Series 1998	4.80%	04-01-98	08-01-13	\$ 1,235,000	390,000
Total				\$ 1,235,000	390,000

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 90,000	16,560	106,560
2012	95,000	12,120	107,120
2013	100,000	7,440	107,440
2014	105,000	2,520	107,520
Total	\$ 390,000	38,640	428,640

This debt will be retired from the MAEP Debt Service Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi Code

Richton School District

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

Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. For further details on this revenue pledge, see Note 7.

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 2008	3.69%	06-11-08	06-01-18	\$ 694,000	574,000
Total				\$ <u>694,000</u>	<u>574,000</u>

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	\$ 63,000	21,181	84,181
2012	65,000	18,856	83,856
2013	68,000	16,457	84,457
2014	70,000	13,948	83,948
2015	73,000	11,365	84,365
2016 - 2018	<u>235,000</u>	<u>17,528</u>	<u>252,528</u>
Total	\$ <u>574,000</u>	<u>99,335</u>	<u>673,335</u>

This debt will be retired from the Short Term Bond and Interest Fund.

State educational enhancement fund revenues are pledged as future payments on the limited tax notes series. For further details on this revenue pledge, see Note 7.

C. Obligations under capital leases

The school district has entered in to a lease agreement as lessee for financing the acquisition of two (2) school buses at a cost of \$122,400 with no down payment. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. The District may exercise a \$1.00 purchase option at contract end.

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

Richton School District

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

Year Ending June 30		Principal	Interest	Total
2011	\$	<u>26,706</u>	<u>1,796</u>	<u>28,502</u>
Total	\$	<u><u>26,706</u></u>	<u><u>1,796</u></u>	<u><u>28,502</u></u>

This School District uses the straight line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight line method is not considered material.

This debt will be retired from the District Maintenance Fund.

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable	0%	11-20-09	9-15-24	\$ <u>500,000</u>	<u>500,000</u>
Total				\$ <u><u>500,000</u></u>	<u><u>500,000</u></u>

E. Compensated absences payable

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

(7) Pledges of Future Revenues

The School District has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$1,235,000 in limited obligation bonds payable issued April 1, 1998. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through January 1, 2013. Annual principal and interest payments on the bonds are expected to require approximately 3 percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$428,640. Principal and interest paid for the current year and the total State Minimum Adequate Education Program revenues were \$90,000 and \$20,880 respectively.

Richton School District

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

The School District has pledged a portion of future Educational Enhancement Fund revenues to repay \$694,000 in three mill notes payable issued June 11, 2008. Proceeds from the notes were used to refund a portion of 2002 limited tax notes payable (which were also backed by a similar pledge from a portion of future Educational Enhancement Fund revenues) and to make capital improvements to the District's buildings. The notes are payable in part from future revenues of the State Educational Enhancement Buildings and Buses Revenue Program and are payable through June 1, 2018. Annual principal and interest payments on the notes are expected to require all of such state revenues designated as Educational Enhancement Buildings and Buses revenue and additional revenues raised through ad valorem debt service levies. The total principal and interest remaining to be paid on the notes is \$673,335. Principal and interest paid for the current year and the total State Educational Enhancement Buildings and Buses revenues were \$61,000 and \$23,432, respectively.

(8) Other Commitments

Operating Leases:

The school district has several operating leases for the following:

1. Mailing System
2. Copier at Middle School
3. Two (2) copiers at the High School
4. Copier at the Central Administrative Office

Lease expenditures for the year ended June 30, 2010, amounted to \$12,039. Future lease payments for these leases are as follows:

Year Ending		Principal
June 30		
2011	\$	3,101
2012		2,257
2013		1,836
Total	\$	<u>7,194</u>

(9) Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required Supplemental information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS

Richton School District

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

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 \$382,203, \$390,998, and \$375,379, respectively, which equaled the required contributions for each year.

(10) Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and 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.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2011	7,885
2012	<u>7,885</u>
Total	\$ <u><u>15,770</u></u>

(11) Contingencies

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

(12) Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was a member of the MSBAWCT from July 1, 2009 until October 31, 2009. As of June 30, 2010 the district carried commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three

Richton School District

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

fiscal years.

(13) Insurance Loss Recoveries

The Richton School District received \$11,837 in insurance loss recoveries related to wind damage to awnings during the 2009-2010 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as non-instructional expenditures.

(14) Qualified School Construction Bonds

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. There was no amount on deposit at June 30, 2010. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits, plus accrued interest that must be on deposit in the Sinking Fund each year at the end of September 15th.

Year Ending June 30	Amount
2011	2,000
2012	2,000
2013	2,000
2014	2,000
2015	2,000
2016	2,000
2017	2,000
2018	3,000
2019	3,000
2020	80,000
2021	80,000

Richton School District

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

2022	80,000
2023	80,000
2024	80,000
2025	<u>80,000</u>
Total	\$ <u><u>500,000</u></u>

(15) 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>
1. To adjust a 2006 gym renovation project not previously included.	\$ <u>169,961</u>
2. To account for a 2001 mower previously depreciated for 10 years and later changed to 7 years.	<u>(1,610)</u>
Total	\$ <u><u>168,351</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

RICHTON 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	\$ 880,759	815,234	815,233	(65,525)	(1)
State sources	3,799,898	3,259,534	3,259,534	(540,364)	0
Federal sources	20,000	52,339	52,339	32,339	0
Total Revenues	<u>4,700,657</u>	<u>4,127,107</u>	<u>4,127,106</u>	<u>(573,550)</u>	<u>(1)</u>
Expenditures:					
Instruction	2,715,049	2,457,581	2,457,580	257,468	1
Support services	1,558,080	1,399,311	1,399,310	158,769	1
Noninstructional services	11,500			11,500	0
Debt Service:					
Principal	375,543	25,543	25,543	350,000	0
Interest	11,798	3,319	3,319	8,479	0
Total Expenditures	<u>4,671,970</u>	<u>3,885,754</u>	<u>3,885,752</u>	<u>786,216</u>	<u>2</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,687</u>	<u>241,353</u>	<u>241,354</u>	<u>212,666</u>	<u>1</u>
Other Financing Sources (Uses):					
Insurance Loss Recoveries		11,837	11,837	11,837	0
Transfers In	519,227	773,997	232,789	254,770	(541,208)
Other financing sources		4,403	4,403	4,403	0
Transfers Out	(641,259)	(782,619)	(241,410)	(141,360)	541,209
Total Other Financing Sources (Uses)	<u>(122,032)</u>	<u>7,618</u>	<u>7,619</u>	<u>129,650</u>	<u>1</u>
Net Change in Fund Balances	<u>(93,345)</u>	<u>248,971</u>	<u>248,973</u>	<u>342,316</u>	<u>2</u>
Fund Balances:					
July 1, 2009			61,672	0	61,672
June 30, 2010	<u>\$ (93,345)</u>	<u>248,971</u>	<u>310,645</u>	<u>342,316</u>	<u>61,674</u>

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

RICHTON SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 School Food Service 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	\$ 126,600	127,822	127,821	1,222	(1)
State sources		10,108	10,108	10,108	0
Federal sources	257,500	273,936	297,431	16,436	23,495
Total Revenues	<u>384,100</u>	<u>411,866</u>	<u>435,360</u>	<u>27,766</u>	<u>23,494</u>
Expenditures:					
Non-instructional	382,513	372,008	395,503	10,505	(23,495)
Total Expenditures	<u>382,513</u>	<u>372,008</u>	<u>395,503</u>	<u>10,505</u>	<u>(23,495)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,587</u>	<u>39,858</u>	<u>39,857</u>	<u>38,271</u>	<u>(1)</u>
Other Financing Sources (Uses):					
Operating transfers out	(5)	(48,899)	(48,899)	(48,894)	0
Total Other Financing Sources (Uses)	<u>(5)</u>	<u>(48,899)</u>	<u>(48,899)</u>	<u>(48,894)</u>	<u>0</u>
Net Change in Fund Balances	<u>1,582</u>	<u>(9,041)</u>	<u>(9,042)</u>	<u>(10,623)</u>	<u>(1)</u>
Fund Balances:					
June 30, 2009		0	63,402	0	63,402
Increase in reserve for inventory			8,123	0	8,123
June 30, 2010	<u>\$ 1,582</u>	<u>(9,041)</u>	<u>62,483</u>	<u>(10,623)</u>	<u>71,524</u>

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

RICHTON SCHOOL DISTRICT
 Budgetary Comparison Schedule
 ARRA Title I Fund
 For the Year Ended June 30, 2010

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$	129,472	129,472	129,472	0
Total Revenues	0	129,472	129,472	129,472	0
Expenditures:					
Instruction		128,722	128,722	(128,722)	0
Support services		750	750	(750)	0
Total Expenditures	0	129,472	129,472	(129,472)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2009				0	0
June 30, 2010	\$	0	0	0	0

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

RICHTON SCHOOL DISTRICT

Exhibit 4

Budgetary Comparison Schedule
 Sixteenth Section Interest 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:					
Sixteenth section sources	\$ 9,270	177,303	177,304	168,033	1
Total Revenues	9,270	177,303	177,304	168,033	1
Expenditures:					
Sixteenth section		15,120	15,120	(15,120)	0
Total Expenditures	0	15,120	15,120	(15,120)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,270	162,183	162,184	152,913	1
Other Financing Sources (Uses):					
Operating transfers out		(170,316)	(170,316)	(170,316)	0
Total Other Financing Sources (Uses)	0	(170,316)	(170,316)	(170,316)	0
Net Change in Fund Balances	9,270	(8,133)	(8,132)	(17,403)	(1)
Fund Balances:					
July 1, 2009	15,000	9,113	9,113	(5,887)	0
June 30, 2010	\$ 24,270	980	981	(23,290)	1

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Richton School District

Notes to the Required Supplemental 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

RICHTON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 68,419
National School Lunch Program	10.555	229,012
Total Child Nutrition cluster		297,431
Total passed-through the MDE		297,431
Total U.S. Department of Agriculture		297,431
 <u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	52,339
Total Federal Communications Commission		52,339
 <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	269,634
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	129,472
Total Title I Cluster		399,106
Safe and Drug - Free Schools and Communities - State Grants	84.186	3,835
Education Technology State Grants	84.318	2,142
Rural Education	84.358	17,815
Improving Teacher Quality State Grants	84.367	1,095
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	268,310
Subtotal		293,197
Special Education Cluster:		
Special Education - Grants to States	84.027	202,498
Special Education - Preschool Grants	84.173	10,169
ARRA - Special Education Grants to States, Recovery Act	84.391	21,484
ARRA - Special Education - Preschool, Recovery Act	84.392	399
Total Special Education Cluster		234,550
Total passed-through the MDE		926,853
Total U.S. Department of Education		926,853
Total for All Federal Awards		\$ <u><u>1,276,623</u></u>

NOTES TO SCHEDULE

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

RICHTON SCHOOL DISTRICT

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 4,458,383	3,386,382	285,721	183,482	602,798
Other	1,185,152	325,547	87,485	31,714	740,406
Total	<u>\$ 5,643,535</u>	<u>3,711,929</u>	<u>373,206</u>	<u>215,196</u>	<u>1,343,204</u>
 Total number of students *	 660				
Cost per student	\$ 8,551	5,624	566	326	2,035

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

1. 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.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration; Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

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

OTHER SUPPLEMENTAL INFORMATION

RICHTON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 815,233	884,030	764,722	734,431
State sources	3,259,534	3,673,125	3,714,885	3,390,450
Federal sources	52,339	30,010	32,500	27,129
Total Revenues	<u>4,127,106</u>	<u>4,587,165</u>	<u>4,512,107</u>	<u>4,152,010</u>
Expenditures:				
Instruction	2,457,580	2,798,668	2,648,808	2,876,592
Support services	1,399,310	1,605,015	1,639,927	1,431,697
Noninstructional services			9,992	7,948
Debt service:				
Principal	25,543	24,432	442,585	22,351
Interest	3,319	11,968	51,936	5,569
Total Expenditures	<u>3,885,752</u>	<u>4,440,083</u>	<u>4,793,248</u>	<u>4,344,157</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>241,354</u>	<u>147,082</u>	<u>(281,141)</u>	<u>(192,147)</u>
Other Financing Sources (Uses):				
Proceeds of bonds			694,000	
Insurance loss recoveries	11,837			
Operating transfers in	232,789	201,778	7,896	116,986
Other financing sources	4,403			
Operating transfers out	(241,410)	(561,789)	(426,773)	(162,597)
Other financing uses		(1,480)	(1,199)	
Total Other Financing Sources (Uses)	<u>7,619</u>	<u>(361,491)</u>	<u>273,924</u>	<u>(45,611)</u>
Net Change in Fund Balances	<u>248,973</u>	<u>(214,409)</u>	<u>(7,217)</u>	<u>(237,758)</u>
Fund Balances:				
July 1, as originally reported	61,672	306,102	313,319	551,762
Prior Period Adjustments		(30,021)		(685)
July 1, as restated	<u>61,672</u>	<u>276,081</u>	<u>313,319</u>	<u>551,077</u>
June 30,	<u>\$ 310,645</u>	<u>61,672</u>	<u>306,102</u>	<u>313,319</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

RICHTON 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	\$ 998,655	1,060,993	942,079	897,900
State sources	3,346,698	3,778,635	3,952,486	3,619,812
Federal sources	1,290,528	1,020,295	933,999	894,336
Sixteenth section sources	177,451	7,385	53,697	152,857
Total Revenues	<u>5,813,332</u>	<u>5,867,308</u>	<u>5,882,261</u>	<u>5,564,905</u>
Expenditures:				
Instruction	3,389,915	3,407,123	3,235,299	3,507,722
Support services	1,557,959	1,984,033	1,819,036	1,601,922
Noninstructional services	396,049	421,341	420,031	422,541
Sixteenth Section	17,074	50,689	5,968	52,150
Facilities acquisition and construction	58,365			629,150
Debt service:				
Principal	176,543	163,432	654,368	177,351
Interest	47,630	61,822	102,087	65,481
Total Expenditures	<u>5,643,535</u>	<u>6,088,440</u>	<u>6,236,789</u>	<u>6,456,317</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>169,797</u>	<u>(221,132)</u>	<u>(354,528)</u>	<u>(891,412)</u>
Other Financing Sources (Uses):				
Proceeds of general obligation bonds	500,000			
Proceeds of borrowing			694,000	
Insurance loss recoveries	11,837		9,468	
Operating transfers in	475,280	762,967	466,829	279,822
Other financing sources	4,403			
Operating transfers out	(475,280)	(762,967)	(466,829)	(279,822)
Other financing uses		(1,480)	(1,204)	
Total Other Financing Sources (Uses)	<u>516,240</u>	<u>(1,480)</u>	<u>702,264</u>	<u>0</u>
Net Change in Fund Balances	<u>686,037</u>	<u>(222,612)</u>	<u>347,736</u>	<u>(891,412)</u>
Fund Balances:				
July 1, as originally reported	483,363	733,045	388,703	1,281,778
Prior period adjustments		(32,507)		(685)
July 1, as restated	<u>483,363</u>	<u>700,538</u>	<u>388,703</u>	<u>1,281,093</u>
Increase (decrease) in reserve for inventory	8,123	5,437	(3,394)	(978)
June 30,	<u>\$ 1,177,523</u>	<u>483,363</u>	<u>733,045</u>	<u>388,703</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Richton School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Richton School District as of and for the year ended June 30, 2010, which collectively comprise the Richton School District's basic financial statements and have issued our report thereon dated January 27, 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 January 27, 2011, which is included in this report.

Richton 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 Richton 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
January 27, 2011

Certified Public Accountants

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

Superintendent and School Board
Richton School District

Compliance

We have audited the compliance of the Richton School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Richton's 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 Richton 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

The management of the Richton 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 Richton 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.

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
January 27, 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
Richton School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Richton School District as of and for the year ended June 30, 2010, which collectively comprise Richton School District's basic financial statements and have issued our report thereon dated January 27, 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 \$8,634 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 37-9-31, Mississippi Code Annotated (1972) states that different principals should be bonded for no less than \$50,000. We found one principal who was not properly bonded.

Recommendation:

The school district should comply with Section 37-9-31, Mississippi Code Annotated (1972).

Response:

The school district accepts the recommendation of the auditor.

Finding 2:

Section 29-3-121, Mississippi Code Annotated (1972) requires that the Richton School District submit to the Perry County School District each year a listing to be used as a basis for dividing shared revenues earned on sixteenth section lands. The list provided to Perry County School District underreported the Richton School District students residing in shared townships. This underreporting of students could lead to a loss in revenue for the Richton School District. While on our audit we noticed that the school district failed to provide an accurate listing of children residing in shared townships to Perry County School District during the 2009-2010 year.

Recommendation:

We recommend the School District establish procedures to prepare and provide the appropriate listing of children to all districts with whom the School District shares sixteenth section revenues. This process should be completed by December 31 of each year.

Response:

The School District will conform with Section 29-3-121.

Finding 3:

Section 29-3-119, Miss Code Ann. (1972) requires that the Richton School District share sixteenth section revenues with Perry County School District in two townships. Monies collected from rents and leases and timber sales on these trust lands must be shared in accordance with Code Section 29-3-119, Miss. Code Ann. (1972). While on our audit we noticed that the school district did not properly divide the monies with Perry County School District they had received from leases and timber sales for the 2009-2010 year.

Recommendation:

We recommend that the District determine and remit the amounts owed to the other district and begin a process of timely settlements of all shared revenues owed to other school districts.

Response:

The School District will conform with Section 29-3-119.

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 Richton 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
January 27, 2011

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Richton 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. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency identified that is 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 weaknesses? 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. ARRA - State Fiscal Stabilization Fund
CFDA# 84.394
8. Dollar threshold used to distinguish between type A and type B programs was \$300,000.
9. Auditee qualified as a 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:

A lack of segregation duties exists in the payroll expenditures and related liabilities control cycle. Preparation of employee contracts, payroll processing, recording of adjusting journal entries and reconciliation of the payroll bank account are all performed by the business manager. This situation increases the risk that unauthorized or inappropriate transactions could be processed and not be detected by School District business department employees in the normal course of their day-to-day duties. As in many public school districts, staff is limited at the central office level. Limited staff is likely the reason for this lack of segregation of duties.

Recommendation:

We recommend the School District should explore compensating controls that would allow a system of checks and balances in the payroll and accounting expenditure control cycle.

Section III: Federal Awards 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 YEAR AUDIT FINDINGS

Richton School District
PO Box 568
Richton, MS 39476-0568
Kyle Nobles - Superintendent
Dedie Cooley - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding

Corrective Action Plan Details

2010-1

a. Name of Contact Person Responsible for Corrective Action:

Name: Dedie Cooley
Phone Number: 601-788-6581

b. Corrective Action Planned:

The District will establish controls that will allow a system of checks and balances in the payroll and accounting expenditure control cycle.

c. Anticipated Completion Date:

June 30, 2011

Richton School District
PO Box 568
Richton, MS 39476
Kyle Nobles - Superintendent
Dedie Cooley - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____315(b) of OMB Circular A-133, the Richton 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>
2009-06	Corrected