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**Nettleton School District**  
Audited Financial Statements  
For the Year Ended June 30, 2012

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Nettleton School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Nettleton School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nettleton School District as of and for the year ended June 30, 2012, which collectively comprise the Nettleton School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Nettleton School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nettleton School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of the Nettleton School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nettleton School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
April 18, 2013

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS



Nettleton School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

The following discussion and analysis of Nettleton School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

- Total net assets for 2012 increased \$657,127, which represents a 9% increase from fiscal year 2011. Total net assets for 2011 increased \$1,134,439, including a prior period adjustment of (\$2,890), which represents a 19% increase from fiscal year 2010.
- General revenues amounted to \$8,914,170 and \$8,894,160, or 81% and 76% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,113,062 or 19% of total revenues for 2012, and \$2,763,930, or 24% of total revenues for 2011.
- The District had \$10,370,105 and \$10,520,761 in expenses for fiscal years 2012 and 2011; only \$2,113,062 for 2012 and \$2,763,930 for 2011 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,914,170 for 2012 and \$8,894,160 for 2011 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,971,272 in revenues and \$8,145,991 in expenditures for 2012, and \$8,641,590 in revenues and \$7,334,203 in expenditures in 2011. The General Fund's fund balance increased by \$642,230 from 2011 to 2012 and increased by \$1,153,436, including a prior period adjustment of (\$2,254), from 2010 to 2011.
- Capital assets, net of accumulated depreciation, decreased by \$28,581 for 2012 and increased by \$611,371 for 2011. The decrease for 2012 was due to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, increased by \$15,570 for 2012 and increased by \$532,830 for 2011. The liability for compensated absences increased by \$15,570 for 2012 and increased by \$7,830 for 2011.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

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

The Statement of Activities presents information showing how the District's net assets changed during the

Nettleton School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

Nettleton School District  
Management's Discussion and Analysis  
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Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

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

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

### **Notes to the financial statements**

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

### **Required Supplemental Information**

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

### **Supplemental Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$7,851,339 as of June 30, 2012.

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.

Nettleton School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

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

	June 30, 2012	June 30, 2011	Percentage Change
Current assets	\$5,465,130	\$5,146,663	6.19%
Restricted assets	293,109	57,737	407.66%
Capital assets, net	3,241,383	3,269,964	-0.87%
<b>Total Assets</b>	<b>8,999,622</b>	<b>8,474,364</b>	<b>6.20%</b>
Current liabilities	58,860	206,299	-71.47%
Long-term debt outstanding	1,089,423	1,073,853	1.45%
<b>Total Liabilities</b>	<b>1,148,283</b>	<b>1,280,152</b>	<b>-10.30%</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,467,283	2,269,964	8.69%
Restricted	1,951,433	2,070,611	-5.76%
Unrestricted	3,432,623	2,853,637	20.29%
<b>Total Net Assets</b>	<b>\$7,851,339</b>	<b>\$7,194,212</b>	<b>9.13%</b>

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

- Decrease in net capital assets in the amount of \$28,581.
- Restricted assets increased due to cash in Qualified School Construction Fund, Series 2010 (3091) in the amount of \$225,900.

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$11,027,232 and \$11,658,090, respectively. The total cost of all programs and services was \$10,370,105 for 2012 and \$10,520,761 for 2011.

Nettleton School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

**Table 2  
Changes in Net Assets**

	Year Ended June 30, 2012	Year Ended June 30, 2011	Percentage Change
<b>Revenues:</b>			
Program Revenues			
Charges for Services	\$333,349	\$332,808	0.16%
Operating grants and contributions	1,779,713	2,431,122	-26.79%
General Revenues			
Property Taxes	1,418,480	1,372,084	3.38%
Unrestricted grants	7,347,347	7,397,976	-0.68%
Investment Earnings	19,826	36,786	-46.10%
Other	128,517	87,314	47.19%
<b>Total Revenues</b>	<b>11,027,232</b>	<b>11,658,090</b>	<b>-5.41%</b>
<b>Expenses:</b>			
Instruction	6,273,791	6,377,184	-1.62%
Support Services	3,274,028	3,379,431	-3.12%
Non-instructional	821,786	764,104	7.55%
Interest and other expenses on long-term liabilities	500	42	1090.48%
<b>Total Expenses</b>	<b>10,370,105</b>	<b>10,520,761</b>	<b>-1.43%</b>
<b>Increase (Decrease) in net assets</b>	<b>657,127</b>	<b>1,137,329</b>	<b>-42.22%</b>
<b>Net Assets, July 1, as previously reported</b>	<b>7,194,212</b>	<b>6,059,773</b>	<b>18.72%</b>
<b>Prior Period Adjustment</b>		<b>(2,890)</b>	<b>-100%</b>
<b>Net Assets, July 1, as restated</b>	<b>7,194,212</b>	<b>6,056,883</b>	<b>18.78%</b>
<b>Net Assets, June 30</b>	<b>\$7,851,339</b>	<b>\$7,194,212</b>	<b>9.13%</b>

**Governmental activities**

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

Nettleton School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

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

	Total Expenses		Percentage Change
	2012	2011	2011-2012
Instruction	\$6,273,791	\$6,377,184	-1.62%
Support Services	3,274,028	3,379,431	-3.12%
Non-instructional	821,786	764,104	7.55%
Interest and other expenses on long term liabilities	500	42	1090.48%
<b>Total Expenses</b>	<b>\$10,370,105</b>	<b>\$10,520,761</b>	<b>-1.43%</b>

  

	Net (Expenses) Revenues		Percentage Change
	2012	2011	2011-2012
Instruction	\$(5,337,297)	\$(4,874,681)	9.49%
Support Services	(2,905,333)	(2,882,251)	0.80%
Non-instructional	(13,913)	143	9829.37%
Interest and other expenses on long term liabilities	(500)	(42)	1090.48%
<b>Total Expenses</b>	<b>\$(8,257,043)</b>	<b>\$(7,756,831)</b>	<b>-6.45%</b>

- Net cost of governmental activities (\$8,257,043 for 2012 and \$7,756,831 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$1,418,480 for 2012 and \$1,372,084 for 2011), unrestricted state and federal revenues (\$7,347,347 for 2012 and \$7,397,976 for 2011) and other revenues (\$128,517 for 2012 and \$87,314 for 2011).
- Investment earnings amounted to \$19,826 for 2012 and \$36,786 for 2011.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,699,378, an increase of \$701,277, which includes an increase in inventory of \$1,824. \$3,535,259 or 62% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,164,119 or 38% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

Nettleton School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

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 \$642,230. The fund balance of Other Governmental Funds showed an increase in the amount of \$59,047, which includes an increase in inventory of \$1,824. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
School Building Project Fund	no increase or decrease

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2012, the District's total capital assets were \$6,769,535, including land, school buildings, improvement other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$169,935 from 2011. Total accumulated depreciation as of June 30, 2012, was \$3,528,152, and total depreciation expense for the year was \$198,516, resulting in total net capital assets of \$3,241,383.

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

	<u>Capital Assets, Net of Depreciation</u>		
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$196,899	\$196,899	0.00%
Construction in progress	-	678,989	-100.00%
Buildings	1,711,672	1,742,772	-1.78%
Improvements other than buildings	828,500	154,846	435.05%
Mobile Equipment	379,458	364,798	4.02%
Furniture and Equipment	124,854	131,660	-5.17%
<b>Total</b>	<b>\$3,241,383</b>	<b>\$3,269,964</b>	<b>-0.87%</b>

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

Nettleton School District  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2012

**Debt Administration.** At June 30, 2012, the District had \$1,089,423 in outstanding long-term debt. The liability for compensated absences increased \$15,570 from the prior year.

**Table 5  
 Outstanding Long-Term Debt**

	<u>Outstanding Long-Term Debt</u>		<b>Percentage Change</b>
	<b>June 30, 2012</b>	<b>June 30, 2011</b>	
Qualified school construction bonds payable	\$1,000,000	\$1,000,000	0.00%
Compensated absences payable	89,423	73,853	21.08%
<b>Total</b>	<b>\$1,089,423</b>	<b>\$1,073,853</b>	<b>1.45%</b>

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

**CURRENT ISSUES**

The Nettleton 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 2011-2012 year was 1,282 students, a decrease of approximately 2%.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Nettleton School District, Drawer 409, Nettleton, MS 38858.



## FINANCIAL STATEMENTS

**NETTLETON SCHOOL DISTRICT**

**Statement of Net Assets**  
**June 30, 2012**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,519,022
Investments	2,390,903
Due from other governments	521,264
Inventories	18,705
Prepaid items	15,236
Restricted assets	293,109
Capital assets, non-depreciable:	
Land	196,899
Capital assets, net of accumulated depreciation:	
Buildings	1,711,672
Improvements other than buildings	828,500
Mobile equipment	379,458
Furniture and equipment	124,854
Total Assets	<u>8,999,622</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	58,860
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,000,000
Non-capital related liabilities	89,423
Total Liabilities	<u>1,148,283</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	2,467,283
Restricted for:	
Expendable:	
School-based activities	417,958
Debt service	124,573
Capital improvements	1,380,000
Unemployment benefits	28,902
Unrestricted	3,432,623
Total Net Assets	<u>\$ 7,851,339</u>

**NETTLETON SCHOOL DISTRICT**

**Statement of Activities**  
**For the Year Ended June 30, 2012**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 6,273,791	\$ 167,991	\$ 768,503	\$ -	\$ (5,337,297)	
Support services	3,274,028	8,109	360,586	-	(2,905,333)	
Non-instructional	821,786	157,249	650,624	-	(13,913)	
Interest and other expenses on long-term liabilities	500	-	-	-	(500)	
<b>Total Governmental Activities</b>	<b>\$ 10,370,105</b>	<b>\$ 333,349</b>	<b>\$ 1,779,713</b>	<b>\$ -</b>	<b>\$ (8,257,043)</b>	

General Revenues:

Taxes:

General purpose levies	1,354,104
Debt purpose levies	64,376

Unrestricted grants and contributions:

State	6,950,900
Federal	396,447
Unrestricted investment earnings	19,826
Other	128,517

<b>Total General Revenues</b>	<b>8,914,170</b>
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Change in Net Assets	657,127
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Net Assets - Beginning	7,194,212
Net Assets - Ending	<u>\$ 7,851,339</u>

**NETTLETON SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2012**

**Exhibit C**

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund	School Building Project Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 2,100,765	\$	\$		644,157	\$ 2,744,922
Cash with fiscal agents					67,209	67,209
Investments	1,010,902			1,380,000		2,390,902
Due from other governments	176,334	175,933	95,909		73,088	521,264
Due from other funds	328,453				8,545	336,998
Inventories and prepaid items	15,236				18,705	33,941
Total assets	<u>\$ 3,631,690</u>	<u>\$ 175,933</u>	<u>\$ 95,909</u>	<u>\$ 1,380,000</u>	<u>811,704</u>	<u>\$ 6,095,236</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 56,362	\$	\$		2,498	\$ 58,860
Due to other funds		175,933	95,909		65,156	336,998
Total Liabilities	<u>56,362</u>	<u>175,933</u>	<u>95,909</u>	<u>-</u>	<u>67,654</u>	<u>395,858</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory					18,705	18,705
Prepaid items	15,236					15,236
<b>Restricted:</b>						
Debt service					124,573	124,573
Capital projects					225,900	225,900
Unemployment benefits					28,902	28,902
Grant activities					83,067	83,067
Food service					262,903	262,903
<b>Committed:</b>						
Capital improvements				1,380,000		1,380,000
<b>Assigned:</b>						
General activity	24,833					24,833
<b>Unassigned</b>	<u>3,535,259</u>					<u>3,535,259</u>
Total Fund Balances	<u>3,575,328</u>	<u>-</u>	<u>-</u>	<u>1,380,000</u>	<u>744,050</u>	<u>5,699,378</u>
Total Liabilities and Fund Balances	<u>\$ 3,631,690</u>	<u>\$ 175,933</u>	<u>\$ 95,909</u>	<u>\$ 1,380,000</u>	<u>811,704</u>	<u>\$ 6,095,236</u>

**NETTLETON SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2012**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 5,699,378

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	196,899	
Buildings		3,887,228	
Building improvements		975,843	
Mobile equipment		1,347,351	
Furniture and equipment		362,214	
Accumulated depreciation		<u>(3,528,152)</u>	3,241,383

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

Qualified school construction bonds payable		(1,000,000)	
Compensated absences payable		(89,423)	

- 3 Rounding difference

1

**Net assets of governmental activities**

\$ 7,851,339

**NETTLETON SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2012**

**Exhibit D**

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund	School Building Project Fund		
<b>Revenues:</b>						
Local sources	\$ 1,567,687				281,645	\$ 1,849,332
State sources	7,007,138				284,213	7,291,351
Federal sources	396,447	303,969	297,826		837,466	1,835,708
<b>Total Revenues</b>	<b>8,971,272</b>	<b>303,969</b>	<b>297,826</b>	<b>-</b>	<b>1,403,324</b>	<b>10,976,391</b>
<b>Expenditures:</b>						
Instruction	5,312,876	289,239	174,720		514,055	6,290,890
Support services	2,832,740	14,693	123,106		183,368	3,153,907
Noninstructional services	375	37			814,948	815,360
Facilities acquisition and construction					67,122	67,122
Debt service:						
Other					500	500
<b>Total Expenditures</b>	<b>8,145,991</b>	<b>303,969</b>	<b>297,826</b>	<b>-</b>	<b>1,579,993</b>	<b>10,327,779</b>
Excess (Deficiency) of Revenues over (under) Expenditures	825,281	-	-	-	(176,669)	648,612
<b>Other Financing Sources (Uses):</b>						
Insurance loss recoveries	50,841					50,841
Operating transfers in					235,545	235,545
Operating transfers out	(233,892)				(1,653)	(235,545)
<b>Total Other Financing Sources (Uses)</b>	<b>(183,051)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,892</b>	<b>50,841</b>
<b>Net Change in Fund Balances</b>	<b>642,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,223</b>	<b>699,453</b>
<b>Fund Balances:</b>						
July 1, 2011	2,933,098			1,380,000	685,003	4,998,101
Increase (Decrease) in inventory	-	-	-	-	1,824	1,824
<b>June 30, 2012</b>	<b>\$ 3,575,328</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,380,000</b>	<b>\$ 744,050</b>	<b>\$ 5,699,378</b>

**NETTLETON SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2012**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 699,453

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	169,935	
Depreciation expense		(198,516)	(28,581)

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

Change in compensated absences			(15,570)
Change in inventory reserve			1,824

3. Rounding difference 1

**Change in net assets of governmental activities** \$ 657,127

NETTLETON SCHOOL DISTRICT

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities  
June 30, 2012**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 519,731
Total Assets	<u>\$ 519,731</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 500,874
Due to student clubs	18,857
Total Liabilities	<u>\$ 519,731</u>



**Nettleton School District**

Notes to the Financial Statements  
June 30, 2012

## Nettleton School District

Notes to the Financial Statements  
For the Year Ended June 30, 2012

### Note 1 - Summary of Significant Accounting Policies

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

#### A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

#### B. Financial Reporting Entity

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

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

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

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

## Nettleton School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

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

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that is used to account for the proceeds and expenditures of federal Title I funds for low income based school sites.

EHA Part B Fund - This is a special revenue fund that is used to account for the resources related to the education of children with disabilities.

## Nettleton School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

School Building Project Fund - This is the School District's fund for monies set aside for capital projects.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing Fund - This fund is used as a clearing account for non-payroll transactions.

Student Club Funds - These funds are used to account for the transactions of student clubs.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

#### FIDUCIARY FUNDS

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

## Nettleton School District

Notes to the Financial Statements  
For the Year Ended June 30, 2012

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period. 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 two counties 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 the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

## Nettleton School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

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

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

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

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

#### **E. Encumbrances**

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

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

##### 1. Cash, Cash equivalents and Investments

###### Cash and cash equivalents

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

###### Investments

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

## Nettleton School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance 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.

# Nettleton School District

Notes to the Financial Statements  
For the Year Ended June 30, 2012

## 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

## 7. Compensated Absences

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



## Nettleton School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

#### 8. Long-term Liabilities and Deferred Debt Expense

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. Currently there are no bond issue costs, bond discounts or premiums presented in this report.

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

#### 9. Fund Balances

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

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

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

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

## Nettleton School District

Notes to the Financial Statements  
For the Year Ended June 30, 2012

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### **Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the

## Nettleton School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit 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 management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,744,922 and \$519,731, respectively. The bank balance was \$3,379,127.

*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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2012, none of the district's bank balance of \$3,379,127 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$67,209. This amount is also shown as restricted assets on Exhibit A.

# Nettleton School District

## Notes to the Financial Statements For the Year Ended June 30, 2012

### Investments

As of June 30, 2012, the district had the following investments.

Investment Type	Rating	Maturities in (years)	Fair Value
Certificates of deposit	N/A	1 to 3	\$ 2,390,902

*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. Of the district's investments \$2,789,225 of underlying securities are held by the investment's counterparty, not in the name of the district.

*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. As of June 30, 2012, the district did not have any investments to which this would apply.

### Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 175,933
	EHA Part B Fund	95,909
	Other Governmental Funds	56,611
Other Governmental Funds	Other Governmental Funds	8,545
Total		\$ 336,998

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

# Nettleton School District

Notes to the Financial Statements  
For the Year Ended June 30, 2012

## B. Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 1,653
	General Fund	233,892
Total		<u>\$ 235,545</u>

Transfers were made primarily for operational purposes and to move indirect costs from other governmental funds to the general fund.

## Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$225,900 of the Qualified School Construction Fund (3901). In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$67,209 of the QSCB Bond Retirement Fund.

## Note 5 - Capital Assets

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

	Balance 7-1-2011	Additions	Completed Construction	Balance 6-30-2012
<u>Non-depreciable capital assets</u>				
Land	\$ 196,899			196,899
Construction in progress	678,989	67,122	(746,111)	0
Total non-depreciable capital assets	<u>875,888</u>	<u>67,122</u>	<u>(746,111)</u>	<u>196,899</u>
<u>Depreciable capital assets:</u>				
Buildings	3,887,228			3,887,228
Improvements other than buildings	229,732		746,111	975,843
Mobile equipment	1,267,176	80,175		1,347,351
Furniture and equipment	339,576	22,638		362,214
Total depreciable capital assets	<u>5,723,712</u>	<u>102,813</u>	<u>746,111</u>	<u>6,572,636</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,144,456	31,100		2,175,556
Improvements other than buildings	74,886	72,457		147,343
Mobile equipment	902,378	65,515		967,893
Furniture and equipment	207,916	29,444		237,360
Total accumulated depreciation	<u>3,329,636</u>	<u>198,516</u>	<u>0</u>	<u>3,528,152</u>
Total depreciable capital assets, net	<u>2,394,076</u>	<u>(95,703)</u>	<u>746,111</u>	<u>3,044,484</u>
Governmental activities capital assets, net	<u>\$ 3,269,964</u>	<u>(28,581)</u>	<u>0</u>	<u>3,241,383</u>

**Nettleton School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

Depreciation expense was charged to the following governmental functions:

		<u>Amount</u>
Instructional	\$	25,710
Support services		165,081
Non-instructional		7,725
Total depreciation expense	\$	<u><u>198,516</u></u>

**Note 6 - Long-Term Liabilities**

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

		<u>Balance</u>		<u>Balance</u>
		7-1-2011	<u>Additions</u>	6-30-2012
A. Qualified school construction bonds payable	\$	1,000,000		1,000,000
B. Compensated absences payable		<u>73,853</u>	<u>15,570</u>	<u>89,423</u>
Total	\$	<u><u>1,073,853</u></u>	<u><u>15,570</u></u>	<u><u>1,089,423</u></u>

**A. Qualified School Construction Bonds Payable**

As more fully explained in Note 10, debt had been issued by the school district that qualified as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest</u>	<u>Issue</u>	<u>Maturity</u>	<u>Amount</u>	<u>Amount</u>
	Rate	Date	Date	Issued	Outstanding
Qualified school construction bonds, Series 2010	0.0%	12-7-10	8-1-25	\$ <u>1,000,000</u>	<u>1,000,000</u>

**B. Compensated absences payable**

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

**Note 7 - 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

## **Nettleton School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2012

writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2012, 2011 and 2010 were \$750,257, \$692,981, and \$729,085, respectively, which equaled the required contributions for each year.

### **Note 8 - Contingencies**

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

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

### **Note 9 - 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 carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 10 - 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.

## Nettleton School District

### Notes to the Financial Statements For the Year Ended June 30, 2012

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds of 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. Annual sinking fund deposit amounts are inclusive of any interest earnings from the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. District must file a form 8038-CP with the I.R.S. at least 45 days, but no more than 90 days, prior to each interest payment date in order to receive the refundable credit payment. It is possible the IRS may determine some reason not to reimburse some of all of the interest payments. The District is responsible for the full amount of the interest payment in any event. The amount on deposit at June 30, 2012 was \$67,209. The amount accumulated in the sinking fund at the end of the seventeen- year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2013	\$ 66,000
2014	66,000
2015	66,000
2016	66,000
2017	67,000
2018 - 2022	335,000
2023 - 2026	<u>268,000</u>
Total	<u>\$ 934,000</u>

### Note 11 - Insurance Loss Recoveries

The Nettleton School District received \$50,841 in insurance loss recoveries related to wind damage during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as instruction and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 50,841	100%	Instruction



REQUIRED SUPPLEMENTAL INFORMATION

**NETTLETON SCHOOL DISTRICT**

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,624,475	1,567,687	1,567,687	(56,788)	0
State sources	6,253,915	7,007,138	7,007,138	753,223	0
Federal sources	62,000	396,447	396,447	334,447	0
Total Revenues	<u>7,940,390</u>	<u>8,971,272</u>	<u>8,971,272</u>	<u>1,030,882</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	4,987,099	5,301,250	5,312,876	(314,151)	(11,626)
Support services	2,777,408	2,857,646	2,832,740	(80,238)	24,906
Noninstructional services	2,000	375	375	1,625	0
Facilities acquisition and construction		11,626		(11,626)	11,626
Total Expenditures	<u>7,766,507</u>	<u>8,170,897</u>	<u>8,145,991</u>	<u>(404,390)</u>	<u>24,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>173,883</u>	<u>800,375</u>	<u>825,281</u>	<u>626,492</u>	<u>24,906</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries		50,841	50,841	50,841	0
Transfers In	868,081	1,155,773		287,692	(1,155,773)
Transfers Out	(1,035,388)	(1,389,666)	(233,892)	(354,278)	1,155,774
Total Other Financing Sources (Uses)	<u>(167,307)</u>	<u>(183,052)</u>	<u>(183,051)</u>	<u>(15,745)</u>	<u>1</u>
Net Change in Fund Balances	<u>6,576</u>	<u>617,323</u>	<u>642,230</u>	<u>610,747</u>	<u>24,907</u>
<b>Fund Balances:</b>					
July 1, 2011	<u>2,904,722</u>	<u>2,904,722</u>	<u>2,933,098</u>	<u>0</u>	<u>28,376</u>
June 30, 2012	<u>\$ 2,911,298</u>	<u>3,522,045</u>	<u>3,575,328</u>	<u>610,747</u>	<u>53,283</u>

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

**NETTLETON SCHOOL DISTRICT**

Exhibit 2

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 241,212	303,969	303,969	62,757	0
Total Revenues	<u>241,212</u>	<u>303,969</u>	<u>303,969</u>	<u>62,757</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	204,980	289,239	289,239	(84,259)	0
Support services	23,280	14,693	14,693	8,587	0
Non-instructional		37	37	(37)	0
Total Expenditures	<u>228,260</u>	<u>303,969</u>	<u>303,969</u>	<u>(75,709)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,952</u>	<u>0</u>	<u>0</u>	<u>(12,952)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(2,500)			2,500	0
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>0</u>	<u>0</u>	<u>2,500</u>	<u>0</u>
Net Change in Fund Balances	<u>10,452</u>	<u>0</u>	<u>0</u>	<u>(10,452)</u>	<u>0</u>
Fund Balances:					
June 30, 2011				0	0
June 30, 2012	<u>\$ 10,452</u>	<u>0</u>	<u>0</u>	<u>(10,452)</u>	<u>0</u>

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

**NETTLETON SCHOOL DISTRICT**

Exhibit 3

Budgetary Comparison Schedule

EHA Part B Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 226,928	297,826	297,826	70,898	0
Total Revenues	226,928	297,826	297,826	70,898	0
<b>Expenditures:</b>					
Instruction	89,599	174,720	174,720	(85,121)	0
Support services	120,992	123,106	123,106	(2,114)	0
Total Expenditures	210,591	297,826	297,826	(87,235)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,337	0	0	(16,337)	0
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(2,500)			2,500	0
Total Other Financing Sources (Uses)	(2,500)	0	0	2,500	0
Net Change in Fund Balances	13,837	0	0	(13,837)	0
Fund Balances:					
July 1, 2011				0	0
June 30, 2012	\$ 13,837	0	0	(13,837)	0

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

## Nettleton School District

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2012

### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

## SUPPLEMENTAL INFORMATION

**NETTLETON SCHOOL DISTRICT**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
------------------------------------------------------------	-----------------------------------------------------------	-------------------------

**U. S. DEPARTMENT OF AGRICULTURE**

Passed-through the Mississippi Department of Education:

Child Nutrition Cluster:

School Breakfast Program	10.553	\$ 158,563
National School Lunch Program	10.555	513,782
Summer Food Service Program for Children	10.559	17,289
Total Child Nutrition Cluster		<u>689,634</u>
Total passed-through Mississippi Department of Education		<u>689,634</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>		<u>689,634</u>

**FEDERAL COMMUNICATIONS COMMISSION**

Administered through Universal Service Administrative Company:

The School and Libraries Program of the Universal Service Fund	32.xxx	53,894
Total Federal Communications Commission		<u>53,894</u>

**U. S. DEPARTMENT OF EDUCATION**

Passed-through the Mississippi Department of Education:

Title I Cluster:

Title I Grants to Local Educational Agencies	84.010	326,139
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2,757
Total Title I Cluster		<u>328,896</u>

Educational Technology Cluster:

Educational Technology State Grants	84.318	2,691
ARRA - Educational Technology State Grants, Recovery Act	84.386	4,350
Total Educational Technology Cluster		<u>7,041</u>

Career and Technical Education - Basic Grants to States	84.048	2,078
Safe and Drug-Free Schools and Communities - State Grants	84.186	3,879
Rural Education	84.358	2,389
Improving Teacher Quality - State Grants	84.367	70,445
Education Jobs Fund	84.410	9,571
Subtotal		<u>88,362</u>

Special Education Cluster:

Special Education - Grants to States	84.027	297,826
Special Education - Preschool Grants	84.173	26,241
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	270
Total Special Education Cluster		<u>324,337</u>
Total passed-through the Mississippi Department of Education		<u>748,636</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>		<u>748,636</u>

**U.S. Department of Health and Human Services**

Passed-through the Mississippi Department of Education

Medical Assistance Program	93.778	253,731
Total passed-through the Mississippi Department of Education		<u>253,731</u>
<b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<u>253,731</u>

**TOTAL FOR ALL FEDERAL AWARDS** \$ 1,745,895

**Notes to Schedule**

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



**NETTLETON SCHOOL DISTRICT**

**Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2012

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 8,076,903	6,166,823	475,904	564,623	869,553
Other	2,250,876	724,421	55,560	10,894	1,460,001
Total	\$ <u>10,327,779</u>	<u>6,891,244</u>	<u>531,464</u>	<u>575,517</u>	<u>2,329,554</u>
Total number of students *	1,282				
Cost per student	\$ 8,056	5,375	415	449	1,817

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

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

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

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

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

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

## OTHER INFORMATION

**NETTLETON SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

General Funds

Last Four Years

	"UNAUDITED"			
	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 1,567,687	1,574,115	1,552,847	1,565,578
State sources	7,007,138	6,611,644	6,623,558	7,147,732
Federal sources	396,447	455,831	111,074	118,220
Total Revenues	<u>8,971,272</u>	<u>8,641,590</u>	<u>8,287,479</u>	<u>8,831,530</u>
<b>Expenditures:</b>				
Instruction	5,312,876	4,499,250	5,001,622	5,858,921
Support services	2,832,740	2,834,953	2,646,085	2,774,202
Noninstructional Services	375		1,947	
Total Expenditures	<u>8,145,991</u>	<u>7,334,203</u>	<u>7,649,654</u>	<u>8,633,123</u>
Excess (Deficiency) of Revenues over Expenditures	<u>825,281</u>	<u>1,307,387</u>	<u>637,825</u>	<u>198,407</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	50,841		630	
Sale of transportation equipment		3,425		1,356
Sale of other property			1,011	4,895
Operating transfers in		53,579	359	67,691
Operating transfers out	(233,892)	(193,794)	(229,113)	(181,396)
Other Financing Uses		(14,907)		
Total Other Financing Sources (Uses)	<u>(183,051)</u>	<u>(151,697)</u>	<u>(227,113)</u>	<u>(107,454)</u>
Net Change in Fund Balances	<u>642,230</u>	<u>1,155,690</u>	<u>410,712</u>	<u>90,953</u>
<b>Fund Balances:</b>				
July 1, as previously reported	2,933,098	1,779,662	1,360,950	1,269,997
Prior Period Adjustment		(2,254)	8,000	
July 1, as restated	<u>2,933,098</u>	<u>1,777,408</u>	<u>1,368,950</u>	<u>1,269,997</u>
June 30,	<u>3,575,328</u>	<u>2,933,098</u>	<u>1,779,662</u>	<u>1,360,950</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NETTLETON SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

	"UNAUDITED"			
	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 1,849,332	1,828,992	1,844,937	1,853,135
State sources	7,291,351	6,890,184	6,849,324	7,376,523
Federal sources	1,835,708	2,938,914	2,590,056	1,508,395
Total Revenues	<u>10,976,391</u>	<u>11,658,090</u>	<u>11,284,317</u>	<u>10,738,053</u>
<b>Expenditures:</b>				
Instruction	6,290,890	6,349,316	6,877,954	6,715,926
Support services	3,153,907	3,319,669	3,142,091	3,217,365
Noninstructional services	815,360	768,988	711,335	718,940
Facilities acquisition and construction	67,122	678,989		
Debt Service				
Principal		475,000		
Other	500	42	500	500
Total Expenditures	<u>10,327,779</u>	<u>11,592,004</u>	<u>10,731,880</u>	<u>10,652,731</u>
Excess (Deficiency) of Revenues over Expenditures	<u>648,612</u>	<u>66,086</u>	<u>552,437</u>	<u>85,322</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of QSCB bonds		1,000,000		
Insurance loss recoveries	50,841		630	
Payment to escrow agent		49,080		
Payment to QZAB debt escrow agent		(49,080)		
Sale of transportation equipment		3,425		1,356
Sale of other property			1,011	4,895
Operating transfers in	235,545	289,676	239,731	252,685
Operating transfers out	(235,545)	(289,676)	(239,731)	(252,685)
Other Financing Uses		(18,111)	(3,771)	
Total Other Financing Sources (Uses)	<u>50,841</u>	<u>985,314</u>	<u>(2,130)</u>	<u>6,251</u>
Net Change in Fund Balances	<u>699,453</u>	<u>1,051,400</u>	<u>550,307</u>	<u>91,573</u>
<b>Fund Balances:</b>				
July 1, as previously reported	4,998,101	3,942,203	3,404,319	3,300,682
Prior Period Adjustment		(2,890)		
July 1, as restated	<u>4,998,101</u>	<u>3,939,313</u>	<u>3,404,319</u>	<u>3,300,682</u>
Increase (Decrease) in inventory	1,824	7,388	(12,423)	12,064
June 30,	<u>\$ 5,699,378</u>	<u>4,998,101</u>	<u>3,942,203</u>	<u>3,404,319</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  
Nettleton School District

We have audited the financial statements of the Nettleton School District as of and for the year ended June 30, 2012, and have issued our report thereon dated April 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Nettleton School District is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

**[Findings 2012-1 and 2012-2].**

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## Compliance and Other Matters

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 18, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Nettleton School District

**Compliance**

We have audited the Nettleton School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Nettleton School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Nettleton School District's management. Our responsibility is to express an opinion on the Nettleton 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 Nettleton 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 Nettleton School District's compliance with those requirements.

In our opinion, the Nettleton School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management of the Nettleton 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 Nettleton School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
April 18, 2013

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  
Nettleton School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nettleton School District as of and for the year ended June 30, 2012, which collectively comprise Nettleton School District's basic financial statements and have issued our report thereon dated April 18, 2013. 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 ensure 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 \$101 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 18, 2013

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Nettleton School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? Yes.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition
84.010 & 84.389	Title I Cluster

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

Section II: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

## **Material Weaknesses:**

### Finding 2012-1:

Proper year-end closing procedures were not followed in recording accrued payroll, donated commodities and prepaid expenses. Failure to properly close the books and make the necessary adjusting entries could lead to materially misstated financial statements.

The cause of this condition was from not properly agreeing year-end closing entries to the underlying documentation.

### Recommendation:

Proper year-end procedures should be followed.

### Finding 2012-2:

During the course of our audit, we noticed an instance where improper recording of cash took place. One sinking fund related to Qualified School Construction Bonds was not posted. An adjustment was made to correctly present cash.

### Recommendation:

All cash accounts should properly be reflected on the general ledger.

## Section III: Findings and Questioned Costs for Federal Awards

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

AUDITEE'S CORRECTIVE ACTION PLAN



**Nettleton School District**  
Drawer 409  
Nettleton, MS 38858  
**Mr. Russell Taylor - Superintendent**  
**Sheila Miller - Business Manager**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_.315(c) of OMB Circular A-133, the Nettleton School District District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012:

<u>Finding</u>	Corrective Action Plan Details
2012-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Sheila Miller Title: Business Manager Phone number: 662-963-2151</p> <p>b. Corrective Action Planned:</p> <p>Proper year-end procedures will be followed.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2013</p>
2012-2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Sheila Miller Title: Business Manager Phone number: 662-963-2151</p> <p>b. Corrective Action Planned:</p> <p>The school district will implement policies to make sure the cash accounts are properly reflected on the general ledger.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2013</p>