

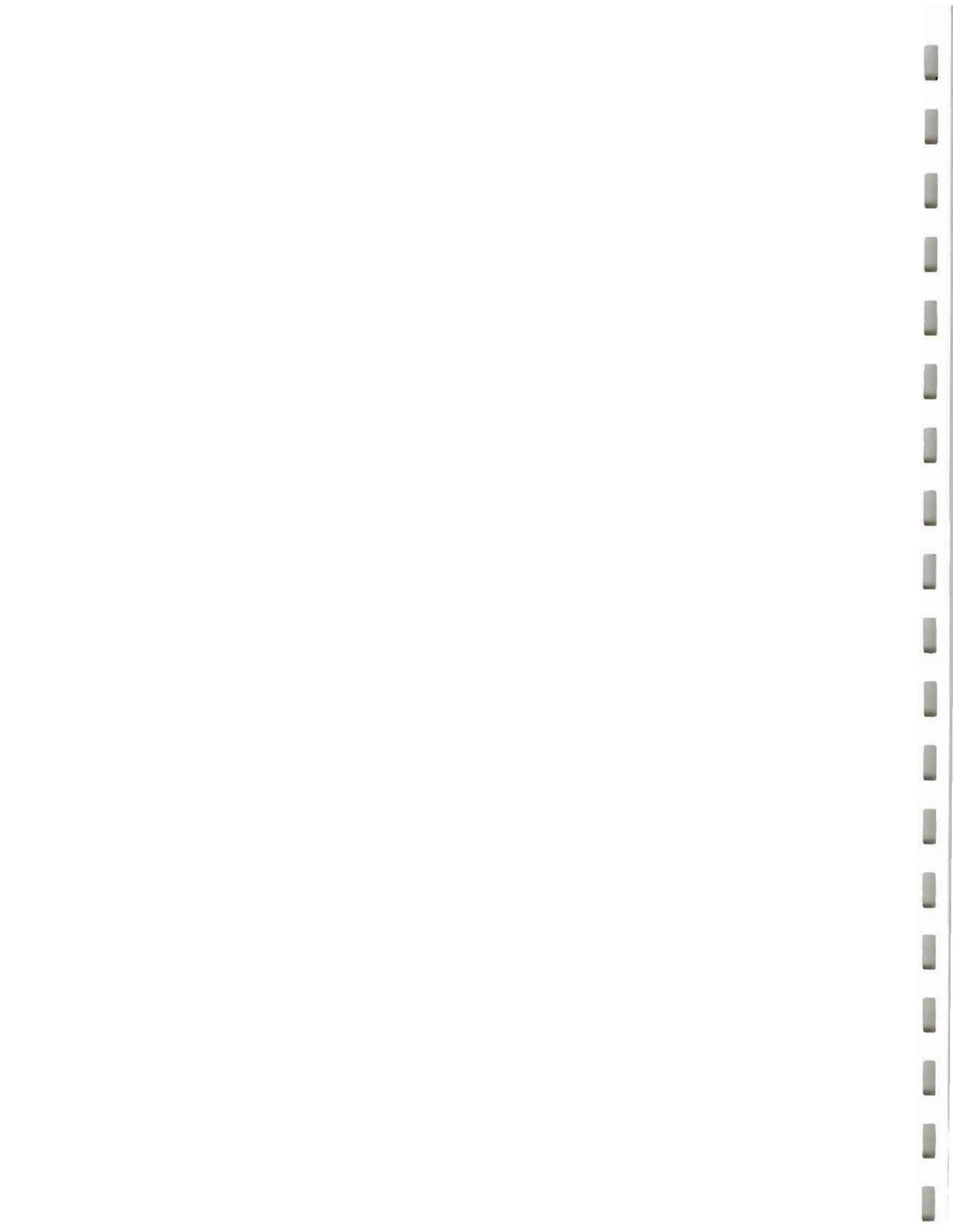


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NORTH PANOLA SCHOOL DISTRICT

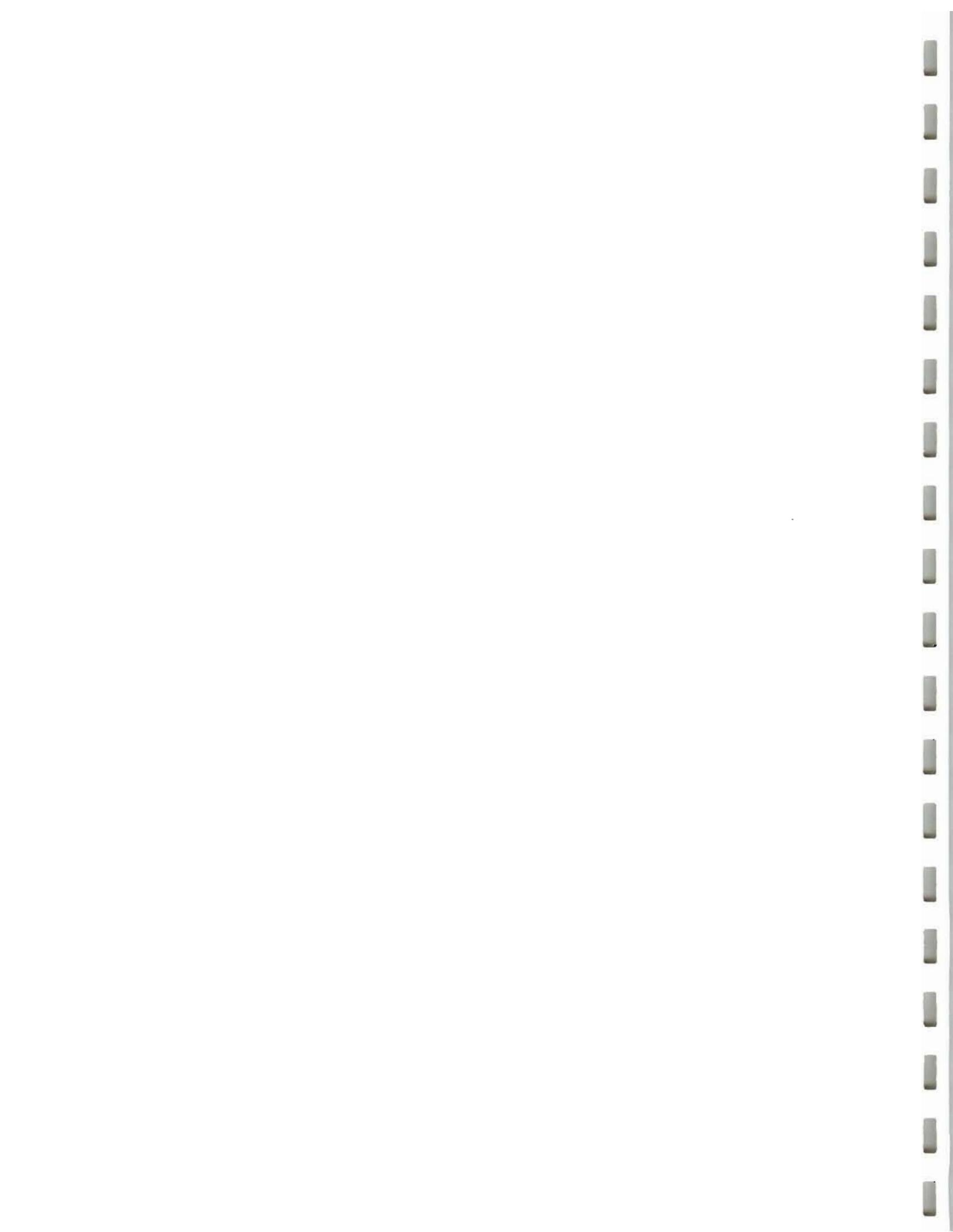
**Audited Financial Statements
For the Year Ended June 30, 2010**





**NORTH PANOLA SCHOOL DISTRICT
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NORTH PANOLA SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

NORTH PANOLA SCHOOL DISTRICT

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

Superintendent and School Board
North Panola School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2010, which collectively comprise the North Panola School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Panola School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011, on our consideration of the North Panola School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

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

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

March 25, 2011



NORTH PANOLA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of North Panola School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements and to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$269,372, which represents a 3.8% increase from fiscal year 2009. Total net assets for 2009 increased \$78,211, which represents a 1.1% increase from fiscal year 2008.
- General revenues amounted to \$10,033,244 and \$11,199,399, or 63.36% and 70% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,802,742, or 36.64% of total revenues for 2010, and \$4,773,105, or 30% of total revenues for 2009.
- The District had \$16,054,632 and \$15,894,587 in expenses for fiscal years 2010 and 2009; only \$5,802,742 for 2010 and \$4,773,105 for 2009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,033,244 for 2010 and \$11,199,399 for 2009 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,996,153 in revenues and \$10,623,914 in expenditures for 2010, and \$11,128,543 in revenues and \$11,356,768 in expenditures in 2009. The General Fund's fund balance decreased by \$112,626, from 2009 to 2010, and increased by \$237,728, including a prior period adjustment of \$294, from 2008 to 2009.
- Capital assets, net of accumulated depreciation, decreased by \$121,787 for 2010 and decreased by \$69,516 for 2009. The decrease for 2010 was due to the disposal of equipment as well as the increase in accumulated depreciation. The decrease in capital assets is mainly due to the deletion of items and depreciation of assets.
- Long-term debt decreased by \$417,227 for 2010 and decreased by \$359,006 for 2009. This decrease was due to the principal payment on outstanding long-term debt. The liability for compensated absences increased by \$20,678 for 2010 and increased by \$618 for 2009.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's balance sheet is reconciled to the statement of net assets, and the governmental fund's statement of revenues, expenditures, and changes in fund balances is reconciled to the statement of activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined and presented in these reports as other governmental funds.

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

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

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

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

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

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Cir. A-133 and a Schedule of Instructional, Administrative and Other Expenditures--Governmental Funds can be found in this report.

Also, included in the other supplemental information section are the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, and Last Four Years. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$7,311,853 as of June 30, 2010.

Table 1 presents a summary of the District's net assets for the fiscal year ended June 30, 2010 and 2009.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Current assets	\$ 5,633,393	\$ 6,163,489	-9%
Capital assets, net	4,472,570	4,594,357	-3%
Total assets	<u>10,105,963</u>	<u>10,757,846</u>	<u>-6%</u>
Current liabilities	\$ 215,257	\$ 719,285	-70%
Long-term debt outstanding	2,578,853	2,996,080	-14%
Total liabilities	<u>2,794,110</u>	<u>3,715,365</u>	<u>-25%</u>
Net assets:			
Invested in capital assets, net of related debt	2,017,838	1,787,233	13%
Restricted	1,094,620	1,000,578	9%
Unrestricted	4,199,395	4,254,670	-1%
Total net assets	<u>\$ 7,311,853</u>	<u>\$ 7,042,481</u>	<u>4%</u>

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 \$121,787.
- The principal retirement of \$441,249 of long-term debt.

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

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$16,324,204 and \$15,972,504, respectively. The total cost of all programs and services was \$16,054,632 for 2010 and \$15,894,587 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>	<u>Percentage Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 218,271	\$ 209,746	4%
Operating grants and contributions	5,584,471	4,563,359	22%
General revenues			
Property taxes	3,077,180	2,983,326	3%
Grants and contributions not restricted	6,862,253	7,914,338	-13%
Extraordinary items	488,018	-	N/A
Other	93,811	301,735	-69%
Total revenues	<u>\$ 16,324,004</u>	<u>\$ 15,972,504</u>	<u>2%</u>
Expenses:			
Instruction	\$ 8,823,841	\$ 8,730,611	1%
Support services	5,976,020	5,923,793	1%
Non-instructional	1,158,712	1,123,923	3%
Interest and other expenses on long-term liabilities	96,059	116,260	-17%
Total expenses	<u>16,054,632</u>	<u>15,894,587</u>	<u>1%</u>
Increase (Decrease) in net assets	<u>\$ 269,372</u>	<u>\$ 77,917</u>	<u>246%</u>
Net Assets, July 1	7,042,481	6,964,270	1%
Prior Period Adjustment(s)	-	294	-100%
Net Assets Restated, July 1	<u>7,042,481</u>	<u>6,964,564</u>	<u>1%</u>
Net Assets, June 30	<u>\$ 7,311,853</u>	<u>\$ 7,042,481</u>	<u>4%</u>

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

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

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Instruction	\$ 8,823,841	\$ 8,730,611	1%
Support services	5,976,020	5,923,793	1%
Non-instructional	1,158,712	1,123,923	3%
Interest on long-term liabilities	96,059	116,260	-17%
Total expenses	\$ 16,054,632	\$ 15,894,587	1%

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Instruction	\$ (5,793,462)	\$ (6,389,295)	-9%
Support services	(4,427,385)	(4,609,521)	-4%
Non-instructional	65,016	(6,406)	-1115%
Interest on long-term liabilities	(96,059)	(116,260)	-17%
Total net (expense) revenue	\$ (10,251,890)	\$ (11,121,482)	-8%

- Net cost of governmental activities, (\$10,251,890 for 2010 and \$11,121,482 for 2009) was financed by general revenue, which is primarily made up of property taxes (\$3,077,180 for 2010 and \$2,983,326 for 2009) and state and federal revenues (\$6,862,253 for 2010 and \$7,914,338 for 2009).
- Investment earnings amounted to \$35,461 for 2010 and \$262,354 for 2009.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,357,945, a decrease of \$9,034 due primarily to a decrease in state and federal revenues. \$4,713,631 or 87.97% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$644,314 or 12.03% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$112,626. This is a result of a decrease in state and federal revenues. The fund balance of Other Governmental Funds showed an increase in the amount of \$107,247, which excludes a decrease in reserve for inventory of \$3,655. 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

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to increase expenditures for additional personnel and support services. Amendments were also made for new funds and carry-over funds in Federal Programs as well as grants awarded during the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$10,974,035, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets.. This amount represents an increase of \$37,871 from 2009. Total accumulated depreciation as of June 30, 2010, was \$6,501,465, and total depreciation expense for the year was \$304,287, resulting in total net capital assets of \$4,472,570.

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 139,509	\$ 139,509	0%
Buildings	2,867,080	2,945,981	-3%
Building Improvements	728,593	780,635	-7%
Improvements other than buildings	44,941	46,831	-4%
Mobile equipment	372,330	448,343	-17%
Furniture and equipment	201,529	91,268	121%
Leased property under capital leases	118,588	141,790	-16%
Total	<u>\$ 4,472,570</u>	<u>\$ 4,594,357</u>	<u>-3%</u>

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

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

Debt Administration. As of June 30, 2010, the District had \$2,578,853 in outstanding long-term debt, of which \$468,753 is due within one year. The liability for compensated absences increased by \$20,678 from the prior year. Debt service funds are adequate to cover the annual debt service for fiscal year 2010.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 445,000	\$ 660,000	-33%
Limited obligation bonds payable	1,995,000	2,175,000	-8%
Obligations under capital leases	23,753	70,002	-66%
Compensated absences payable	124,121	103,443	20%
Deferred charges on refunding debt	(9,021)	(12,365)	-27%
Total	<u>\$ 2,578,853</u>	<u>\$ 2,996,080</u>	<u>-14%</u>

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

CURRENT ISSUES

The North Panola 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.

Latest enrollment figures indicate that student enrollment of the District will remain fairly close to current enrollment levels. However, should enrollment fluctuate considerably, the budget for the next fiscal year will be adjusted to take into account the impact of such fluctuation, both in terms of funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Panola School District, 470 Highway 51 North, Sardis, MS 38666.

NORTH PANOLA SC

FINANCIAL STATEMENTS

NORTH PANOLA SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,715,142
Investments	66,732
Due from other governments	761,968
Inventories	11,522
Deferred bond issuance cost	78,029
Capital assets, non-depreciable:	
Land	139,509
Capital assets, net of accumulated depreciation:	
Buildings	2,867,080
Building improvements	728,593
Improvements other than buildings	44,941
Mobile equipment	372,330
Furniture and equipment	201,529
Leased property under capital leases	118,588
Total Assets	<u>10,105,963</u>
Liabilities	
Accounts payable and accrued liabilities	197,419
Interest payable on long-term liabilities	17,838
Long-term liabilities, due within one year	
Capital related liabilities	468,753
Long-term liabilities, due beyond one year	
Capital related liabilities	1,985,979
Non-capital related liabilities	124,121
Total Liabilities	<u>2,794,110</u>
Net Assets	
Invested in capital assets, net of related debt	2,017,838
Restricted net assets:	
Expendable:	
School- based activities	479,666
Debt service	576,817
Unemployment benefits	38,137
Unrestricted	<u>4,199,395</u>
Total Net Assets	<u>\$ 7,311,853</u>

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

NORTH PANOLA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2010

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 8,823,841	\$ 151,890	\$ 2,878,489	\$ -	\$ (5,793,462)
Support services	5,976,020	5,349	1,543,286	-	(4,427,385)
Non-instructional services	1,158,712	61,032	1,162,696	-	65,016
Interest on long-term liabilities	96,059	-	-	-	(96,059)
Total Governmental Activities	\$ 16,054,632	\$ 218,271	\$ 5,584,471	\$ -	(10,251,890)
General Revenues:					
Taxes:					
General purpose levies					2,834,590
Debt purpose levies					242,590
Unrestricted grants and contributions:					
State					6,838,408
Federal					23,845
Unrestricted investment earnings					35,461
Other					58,350
Total General Revenues					10,033,244
Extraordinary items					488,018
Total General Revenues, Special Items, Extraordinary Items and Transfer					10,521,262
Change in Net Assets					269,372
Net Assets - Beginning					7,042,481
Net Assets - Ending					\$ 7,311,853

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

NORTH PANOLA SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHA, Part B		
Assets					
Cash and cash equivalents	\$ 3,770,581	\$ -	\$ -	\$ 944,561	\$ 4,715,142
Investments	-	-	-	66,732	66,732
Due from other governments	119,416	293,378	90,068	259,106	761,968
Due from other funds	418,875	-	-	15,573	434,448
Inventories	-	-	-	11,522	11,522
Total assets	\$ 4,308,872	\$ 293,378	\$ 90,068	\$ 1,297,494	\$ 5,989,812
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 58,478	\$ 24,350	12,086	\$ 102,505	\$ 197,419
Due to other funds	4,907	269,028	77,982	82,531	434,448
Total Liabilities	63,385	293,378	90,068	185,036	631,867
Fund Balances:					
Reserved for:					
Inventory	-	-	-	11,522	11,522
Debt service	-	-	-	594,655	594,655
Unemployment benefits	-	-	-	38,137	38,137
Unreserved, undesignated, reported in:					
General Fund	4,245,487	-	-	-	4,245,487
Special Revenue Funds	-	-	-	468,144	468,144
Total Fund Balances	4,245,487	-	-	1,112,458	5,357,945
Total Liabilities and Fund Balances	\$ 4,308,872	\$ 293,378	\$ 90,068	\$ 1,297,494	\$ 5,989,812

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

NORTH PANOLA SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,357,945
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,501,465.	4,472,570
2. Other long-term assets (bond issue costs) are not available to pay for current expenditures and therefore are deferred in the funds.	78,029
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(2,578,853)
4. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(17,838)
Total Net Assets - Governmental Activities	<u>\$ 7,311,853</u>

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

NORTH PANOLA SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For The Year Ended June 30, 2010

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHA, Part B		
Revenues:					
Local sources	\$ 3,065,168	\$ 73	\$ -	\$ 313,256	\$ 3,378,497
State sources	6,838,407	-	38,936	1,162,546	8,039,889
Federal sources	92,578	1,621,946	458,915	2,233,395	4,406,834
Total Revenues	9,996,153	1,622,019	497,851	3,709,197	15,825,220
Expenditures:					
Instruction	5,976,551	978,864	198,868	1,570,457	8,724,740
Support services	4,647,363	412,233	298,983	624,097	5,982,676
Noninstructional services	-	81,976	-	1,044,892	1,126,868
Debt service:					
Principal	-	-	-	441,249	441,249
Interest	-	-	-	73,511	73,511
Other	-	-	-	2,170	2,170
Total Expenditures	10,623,914	1,473,073	497,851	3,756,376	16,351,214
Excess (Deficiency) of Revenues over Expenditures	(627,761)	148,946	-	(47,179)	(525,994)
Other Financing Sources (Uses):					
Insurance loss recoveries	509,849	-	-	-	509,849
Operating transfers in	25,886	-	-	183,288	209,174
Other financing sources	10,000	-	-	766	10,766
Operating transfers out	(30,600)	(148,946)	-	(29,628)	(209,174)
Total Other Financing Sources (Uses)	515,135	(148,946)	-	154,426	520,615
Net Change in Fund Balances	(112,626)	-	-	107,247	(5,379)
Fund Balances:					
July 1, 2009	4,358,113	-	-	1,008,866	5,366,979
Increase (decrease) in reserve for inventory	-	-	-	(3,655)	(3,655)
June 30, 2010	\$ 4,245,487	\$ -	\$ -	\$ 1,112,458	\$ 5,357,945

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

NORTH PANOLA SCHOOL DISTRICT

Exhibit D-1

**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, 2010**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (5,379)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$224,139 and the depreciation expense amounted to \$304,287.	(80,148)
2. Other long-term assets (bond issue costs) are not available to pay for current-period expenditures and therefore are deferred in the funds.	(7,484)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	441,249
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(9,550)
5. The sale and/or disposal of capital assets is reported as a other financing sources in the governmental funds but is reported as a reduction of net capital asset on the Statement of Activities, along with any gain or loss.	(41,639)
6. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	(3,655)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(20,678)
Amortization expense on deferred charges related to bond refunding	(3,344)
	<hr/>
Change in Net Assets of Governmental Activities	<u>\$ 269,372</u>

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

NORTH PANOLA SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2010

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 600,478
Total Assets	<u>\$ 600,478</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 589,425
Due to student clubs	<u>11,053</u>
Total Liabilities	<u>\$ 600,478</u>

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

NORTH PANOLA SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, North Panola 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. There are no component units that should be included in the school district's financial statements.

B. Basis of Presentation

Government-wide Financial Statements:

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

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

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

NORTH PANOLA SCHOOL DISTRICT

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

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property 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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I Fund - This fund is used to account for the proceeds of Title I funds from the federal government that are programmatically and legally restricted to expenditures for specified purposes.

EHA, Part B Fund - This fund is used to account for the proceeds of EHA Title VI - B handicapped funds from the federal government that are programmatically and legally restricted to expenditures for specified purposes.

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

Additionally, the school district reports the following fund types:

NORTH PANOLA SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

NORTH PANOLA SCHOOL DISTRICT

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

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

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

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

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

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

D. Account Classifications

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

E. Encumbrances

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments.

Cash and cash equivalents.

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

NORTH PANOLA SCHOOL DISTRICT

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes.

NORTH PANOLA SCHOOL DISTRICT

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

7. Compensated Absences

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

NORTH PANOLA SCHOOL DISTRICT

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

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

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

9. Fund Equity

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

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

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

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

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

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

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

NORTH PANOLA SCHOOL DISTRICT

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

(2) Cash and Cash Equivalents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts 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 were \$4,715,142 and \$600,478, respectively. The bank balance was \$6,047,298.

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 the 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, 2010, \$709 of the district's bank balance of \$6,047,298 was exposed to custodial credit risk.

NORTH PANOLA SCHOOL DISTRICT

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

Investments

As of June 30, 2010, the district had the following investments. Investments are in U.S. Treasury securities.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Money market funds (Treasury security)	AAAm	less than 1	<u>\$ 66,732</u>

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

Credit Risk. State law limits investments to those prescribed in Sections 17-105-33(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 possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2010, the district had all of its investments in U.S. government and external investment pools.

(3) Inter-fund Receivables, Payables, and Transfers

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 269,028
	EHA, Part B	77,982
	Other governmental funds	71,865
Other governmental funds	General Fund	4,907
	Other governmental funds	<u>10,666</u>
Total Funds		<u>\$ 434,448</u>

The purpose of the inter-fund loans were to cover federal funds not received prior to year-end. All inter-fund balances are expected to be repaid within one year.

NORTH PANOLA SCHOOL DISTRICT

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

B. Inter-fund Transfers:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 30,600
Title I Fund	Other governmental funds	148,946
Other governmental funds	General Fund	25,886
Other governmental funds	Other governmental funds	3,742
		<hr/>
Total Funds		<u>\$ 209,174</u>

Transfers out consists primarily of \$148,946 transferred from Title I to Consolidated Cost Administrative Fund. All transfers were consistent with the activities of the fund making the transfer.

(4) Capital Assets

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

	Balance <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance <u>6/30/2010</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 139,509	\$ -	\$ -	\$ -	\$ 139,509
Total non-depreciable capital assets	<u>139,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,509</u>
<u>Depreciable capital assets:</u>					
Buildings	7,415,572	-	109,151	-	7,306,421
Building improvements	1,301,058	-	-	-	1,301,058
Improvements other than buildings	73,498	-	-	-	73,498
Mobile equipment	1,247,390	-	65,113	-	1,182,277
Furniture and equipment	501,337	224,139	12,004	-	713,472
Leased property under capital leases	257,800	-	-	-	257,800
Total depreciable capital assets	<u>10,796,655</u>	<u>224,139</u>	<u>186,268</u>	<u>-</u>	<u>10,834,526</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,469,591	57,070	87,320	-	4,439,341
Building improvements	520,423	52,042	-	-	572,465
Improvements other than buildings	26,667	1,890	-	-	28,557
Mobile equipment	799,047	56,329	45,429	-	809,947
Furniture and equipment	410,069	113,754	11,880	-	511,943
Leased property under capital leases	116,010	23,202	-	-	139,212
Total accumulated depreciation	<u>6,341,807</u>	<u>304,287</u>	<u>144,629</u>	<u>-</u>	<u>6,501,465</u>
Total depreciable capital assets, net	<u>4,454,848</u>	<u>(80,148)</u>	<u>41,639</u>	<u>-</u>	<u>4,333,061</u>
Governmental activities capital assets, net	<u>\$ 4,594,357</u>	<u>\$ (80,148)</u>	<u>\$ 41,639</u>	<u>\$ -</u>	<u>\$ 4,472,570</u>

NORTH PANOLA SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 129,950
Support services	165,956
Non-instructional	<u>8,381</u>
 Total Depreciation Expense	 <u>\$ 304,287</u>

(5) Long-term Liabilities

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

	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2010</u>	<u>Amounts due</u> <u>within one year</u>
A. General obligation bonds	\$ 660,000	\$ -	\$ 215,000	\$ 445,000	\$ 220,000
B. Limited obligation bonds payable	2,175,000	-	180,000	1,995,000	225,000
C. Obligations under capital leases	70,002	-	46,249	23,753	23,753
D. Compensated Absences Payable	103,443	20,678	-	124,121	-
E. Deferred charges on refunding	(12,365)	-	(3,344)	(9,021)	-
 Total	 <u>\$ 2,996,080</u>	 <u>\$ 20,678</u>	 <u>\$ 437,905</u>	 <u>\$ 2,578,853</u>	 <u>\$ 468,753</u>

A. General obligation bonds payable

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

	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
General Obligation Refunding Bonds Series 2004	1.75-3.12%	11/1/2004	10/1/2011	<u>\$ 1,455,000</u>	<u>\$ 445,000</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 220,000	\$ 10,331	\$ 230,331
2012	225,000	3,516	228,516
 Total	 <u>\$ 445,000</u>	 <u>\$ 13,847</u>	 <u>\$ 458,847</u>

This debt will be retired from the Debt Service Bond Issue Retirement Fund.

NORTH PANOLA SCHOOL DISTRICT

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2010, the amount of outstanding bonded indebtedness was less than 1% of property assessments as of October 1, 2009.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds Series 2009	3.00-3.125%	6/10/2009	2/1/2018	\$ 2,175,000	\$ 1,995,000

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

June 30	Principal	Interest	Total
2011	\$ 225,000	\$ 60,194	\$ 285,194
2012	230,000	53,444	283,444
2013	240,000	46,544	286,544
2014	245,000	39,344	284,344
2015	250,000	31,994	281,994
2015-2018	805,000	48,348	853,348
Total	\$ 1,995,000	\$ 279,868	\$ 2,274,868

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

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

Advance Refunding

On June 10, 2009, the district issued \$2,175,000 in State Aid Capital Improvement Refunding Bonds, Series 2009, with an average interest rate of 3.00% to advance refund \$2,100,000 of outstanding 1998 State Aid Capital Improvement Bonds with an average interest rate of 4.6%. The net proceeds of \$2,147,526 (after payments of \$70,060 for issuance costs and premium revenues of \$42,586) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the 1998 State Aid Capital Improvement Bonds which were called on October 1, 2009.

NORTH PANOLA SCHOOL DISTRICT

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

C. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of five school buses at a cost of \$257,800 with no down payment. This lease qualifies as a capital lease for accounting purposes.

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

1. Prepayment Option
2. Purchase Option
3. Defeasance in Whole
4. Partial Defeasance

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 23,753	\$ 429	\$ 24,182
Total	<u>\$ 23,753</u>	<u>\$ 429</u>	<u>\$ 24,182</u>

This debt will be retired from the EEF Building and Buses Fund.

D. Compensated absences payable

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

(6) Impairment of Assets

The gain on \$488,018, resulting from the excess of insurance proceeds over the impairment loss is reported as an extraordinary item in the financial statements.

Governmental Type Activities:

Classification	Asset Qualifying As Impaired	Historical Cost	Less: Accumulated Depreciation	Carrying Value	Recognized Property Insurance Recovery	(Gain) Loss
Non-instructional	Bus Shop	\$ 109,151	\$ 87,320	\$ 21,831	\$ 509,849	\$ (488,018)

NORTH PANOLA SCHOOL DISTRICT

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

This impairment loss is reported on the financial statements as an extraordinary item.

(7) Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009, and 2008 were \$1,123,905, \$970,207, and \$1,029,077, respectively, which equaled the required contributions for each year.

(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. As of June 30, 2010, the single audit performed on these federal grants disclosed a material instance of noncompliance, as reported in the Schedule of Findings and Questioned Costs. Any disallowance by the grantor agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

Litigation - The North Panola School District is subject to various legal proceedings in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be a material adverse effect on the combined financial statements as a result of the cases presently in progress.

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

NORTH PANOLA SCHOOL DISTRICT

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi Public Entity Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 63 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

(10) Alternative School Consortium

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

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

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

(11) Extraordinary Item

The North Panola School District received \$509,849 in insurance loss recoveries related to the Bus Shop fire damage during the 2009-2010 fiscal year and reported in the Statement of Revenues, Expenditures and Changes in Fund Balance as such. In the government-wide Statement of Activities, the insurance loss recoveries, net of the carrying value of the Bus Shop, were reported as an extraordinary item of \$488,018.

NORTH PANOLA SCHOOL DISTRICT

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

(12) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the North Panola School District evaluated the activity of the district through March 25, 2011, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements.

On October 14, 2010, the district issued \$1,950,000 Qualified School Construction Bonds for reconstructing the bus shop.

NORTH PANOLA SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

NORTH PANOLA SCHOOL DISTRICT

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NORTH PANOLA SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,030,025	\$ 3,065,168	\$ 3,065,168	\$ 35,143	\$ -
State sources	7,977,549	6,838,407	6,838,407	(1,139,142)	-
Federal sources	48,600	92,578	92,578	43,978	-
Total Revenues	<u>11,056,174</u>	<u>9,996,153</u>	<u>9,996,153</u>	<u>(1,060,021)</u>	<u>-</u>
Expenditures:					
Instruction	6,693,279	5,975,460	5,976,551	717,819	(1,091)
Support services	4,640,687	4,647,363	4,647,363	(6,676)	-
Noninstructional services	-	-	-	-	-
Debt service	-	-	-	-	-
Total Expenditures	<u>11,333,966</u>	<u>10,622,823</u>	<u>10,623,914</u>	<u>711,143</u>	<u>(1,091)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(277,792)</u>	<u>(626,670)</u>	<u>(627,761)</u>	<u>(348,878)</u>	<u>(1,091)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	509,849	509,849	509,849	-
Operating transfers in	26,292	25,886	25,886	(406)	-
Other financing sources	10,000	10,000	10,000	-	-
Operating transfers out	(8,500)	(30,600)	(30,600)	(22,100)	-
Total Other Financing Sources (Uses)	<u>27,792</u>	<u>515,135</u>	<u>515,135</u>	<u>487,343</u>	<u>-</u>
Net Change in Fund Balances	<u>(250,000)</u>	<u>(111,535)</u>	<u>(112,626)</u>	<u>138,465</u>	<u>(1,091)</u>
Fund Balances:					
July 1, 2009	<u>4,358,113</u>	<u>4,358,113</u>	<u>4,358,113</u>	<u>-</u>	<u>-</u>
June 30, 2010	<u>\$ 4,108,113</u>	<u>\$ 4,246,578</u>	<u>\$ 4,245,487</u>	<u>\$ 138,465</u>	<u>\$ (1,091)</u>

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

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 73	\$ 73	\$ 73	\$ -
State sources	-	-	-	-	-
Federal sources	1,465,561	1,621,946	1,621,946	156,385	-
Total Revenues	1,465,561	1,622,019	1,622,019	156,458	-
Expenditures:					
Instruction	905,990	978,864	978,864	(72,874)	-
Support services	314,026	412,233	412,233	(98,207)	-
Noninstructional services	86,202	81,976	81,976	4,226	-
Total Expenditures	1,306,218	1,473,073	1,473,073	(166,855)	-
Excess (Deficiency) of Revenues Over Expenditures	159,343	148,946	148,946	(10,397)	-
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Other financing sources	-	-	-	-	-
Operating transfers out	(159,343)	(148,946)	(148,946)	10,397	-
Other financing uses	-	-	-	-	-
Total Other Financing Sources (Uses)	(159,343)	(148,946)	(148,946)	10,397	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2009	-	-	-	-	-
June 30, 2010	\$ -	\$ -	\$ -	\$ -	\$ -

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

NORTH PANOLA SCHOOL DISTRICT
Budgetary Comparison Schedule
EHA, Part B Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	38,936	38,936	38,936	-
Federal sources	366,764	458,915	458,915	92,151	-
Total Revenues	<u>366,764</u>	<u>497,851</u>	<u>497,851</u>	<u>131,087</u>	<u>-</u>
Expenditures:					
Instruction	157,767	198,868	198,868	(41,101)	-
Support services	208,997	298,983	298,983	(89,986)	-
Noninstructional services	-	-	-	-	-
Total Expenditures	<u>366,764</u>	<u>497,851</u>	<u>497,851</u>	<u>(131,087)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Other financing sources	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Other financing uses	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NORTH PANOLA SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

NORTH PANOLA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

NORTH PANOLA SCHOOL DISTRICT

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 318,386
National school lunch program	10.555	735,458
Summer food service program for children	10.559	56,088
Total child nutrition cluster		1,109,932
Total U.S. Department of Agriculture		1,109,932
<u>U. S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	46,208
<u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Appalachian research, technical assistance, and demonstration projects	23.011	22,525
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	23,381
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,308,087
Career and technical education - basic grants to states	84.048	35,635
Safe and drug-free schools and communities - state grants	84.186	21,151
Education technology state grants	84.318	10,282
Special education - state personnel development	84.323	7,794
Rural education	84.358	48,837
Improving teacher quality state grants	84.367	228,886
School improvement grants	84.377	50,081
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	397,824
ARRA - State fiscal stabilization fund (SFSF) - Education State Grants, Recovery Act	84.394	593,558
Total		2,702,135
Special education cluster:		
Special education-grants to states	84.027	467,292
Special education - preschool grants	84.173	12,427
Total		479,719
Total passed-through Mississippi Department of Education		3,181,854
Total U.S. Department of Education		3,181,854
Total for All Federal Awards		\$ 4,383,900

NOTES TO SCHEDULE

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

NORTH PANOLA SCHOOL DISTRICT

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 12,130,372	\$ 8,853,124	\$ 615,141	\$ 866,506	\$ 1,795,601
Other	4,220,842	1,609,685	449,530	4,862	2,156,765
Total	\$ 16,351,214	\$ 10,462,809	\$ 1,064,671	\$ 871,368	\$ 3,952,366
 Total number of students*	 1,588				
 Cost per student	 \$ 10,297	 \$ 6,589	 \$ 670	 \$ 549	 \$ 2,489

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type - (all the 1000, 2100, & 2200 functional codes)

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

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

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

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

NORTH PANOLA SCHOOL DISTRICT

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NORTH PANOLA SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

NORTH PANOLA SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

“UNAUDITED”

General Fund

Last Four Years

	<u>2010</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>
Revenues:				
Local sources	\$ 3,065,168	\$ 3,155,758	\$ 3,199,190	\$ 3,052,330
Intermediate sources	-	-	14,349	-
State sources	6,838,407	7,873,601	8,218,951	7,694,687
Federal sources	92,578	99,184	168,974	99,943
Total Revenues	<u>9,996,153</u>	<u>11,128,543</u>	<u>11,601,464</u>	<u>10,846,960</u>
Expenditures:				
Instruction	5,976,551	6,577,629	6,579,139	6,428,931
Support services	4,647,363	4,779,139	4,588,765	3,864,085
Noninstructional services	-	-	24,865	-
Total Expenditures	<u>10,623,914</u>	<u>11,356,768</u>	<u>11,192,769</u>	<u>10,293,016</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(627,761)</u>	<u>(228,225)</u>	<u>408,695</u>	<u>553,944</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	509,849	-	2,425	-
Sale of transportation equipment	-	-	-	1,085
Sale of other property	-	-	-	3,579
Operating transfers in	25,886	-	32,670	110,379
Other financing sources	10,000	18,540	-	31,946
Operating transfers out	(30,600)	(28,337)	(13,698)	(25,040)
Other financing uses	-	-	-	(14,577)
Total Other Financing Sources (Uses)	<u>515,135</u>	<u>(9,797)</u>	<u>21,397</u>	<u>107,372</u>
Net Change in Fund Balances	<u>(112,626)</u>	<u>(238,022)</u>	<u>430,092</u>	<u>661,316</u>
Fund Balances:				
Beginning of period, as originally reported	4,358,113	4,595,841	4,094,889	3,432,951
Prior period adjustment(s)	-	294	70,860	622
Beginning of period, as restated	<u>4,358,113</u>	<u>4,596,135</u>	<u>4,165,749</u>	<u>3,433,573</u>
End of Period	<u>\$ 4,245,487</u>	<u>\$ 4,358,113</u>	<u>\$ 4,595,841</u>	<u>\$ 4,094,889</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

NORTH PANOLA SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 3,378,497	\$ 3,494,806	\$ 3,529,384	\$ 3,399,992
Intermediate sources	-	-	14,349	-
State sources	8,039,889	9,259,591	9,604,111	9,109,407
Federal sources	4,406,834	3,218,106	3,520,510	3,443,907
Total Revenues	15,825,220	15,972,503	16,668,354	15,953,306
Expenditures:				
Instruction	8,724,740	8,636,281	8,290,169	8,154,404
Support services	5,982,676	5,956,874	6,293,459	5,809,941
Noninstructional services	1,126,868	1,117,035	1,077,710	965,127
Facilities acquisition and construction	-	-	-	37,402
Debt service:				
Principal	441,249	434,624	418,056	406,542
Interest	73,511	128,439	145,703	160,870
Advance refunding escrow	-	47,526	-	-
Other	2,170	72,237	2,803	2,191
Total Expenditures	16,351,214	16,393,016	16,227,900	15,536,477
Excess (Deficiency) of Revenues over Expenditures	(525,994)	(420,513)	440,454	416,829
Other Financing Sources (Uses):				
Proceeds of refunding bonds	-	2,175,000	-	-
Premium on bonds payable	-	42,586	-	-
Insurance loss recoveries	509,849	-	2,425	-
Sale of transportation equipment	-	-	-	1,085
Sale of other property	-	-	-	3,579
Operating transfers in	209,174	135,963	193,658	314,744
Other financing sources	10,766	18,540	-	31,946
Operating transfers out	(209,174)	(135,963)	(193,658)	(314,744)
Payment to refunded bond escrow agent	-	(2,100,000)	-	-
Other financing uses	-	(18,022)	(517)	(46,002)
Total Other Financing Sources (Uses)	520,615	118,104	1,908	(9,392)
Net Change in Fund Balances	(5,379)	(302,409)	442,362	407,437
Fund Balances:				
Beginning of period, as originally reported	5,366,979	5,667,615	5,230,215	4,801,093
Prior period adjustment(s)	-	294	272	14,651
Beginning of period, as restated	5,366,979	5,667,909	5,230,487	4,815,744
Increase (Decrease) in reserve for inventory	(3,655)	1,479	(5,234)	7,034
End of period	\$ 5,357,945	\$ 5,366,979	\$ 5,667,615	\$ 5,230,215

*SOURCE - PRIOR YEAR AUDIT REPORTS

NORTH PANOLA SCHOOL DISTRICT

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NORTH PANOLA SCHOOL DISTRICT
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

NORTH PANOLA SCHOOL DISTRICT

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

Superintendent and School Board
North Panola School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2010, which collectively comprise the North Panola School District's basic financial statements and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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.

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 control 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 consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. Finding 2010-01.



Compliance and Other Matters

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

However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated March 25, 2011, which is included in this report.

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

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
March 25, 2011





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

Superintendent and School Board
North Panola School District

Compliance

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

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

We were unable to obtain sufficient documentation supporting the compliance of the school district with the Child Nutrition Cluster regarding eligibility and special test and provisions, nor were we able to satisfy ourselves as to the school district's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the school district's compliance with the requirements of the Child Nutrition Cluster regarding eligibility and special test and provisions, North Panola School District complied, in all



material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

March 25, 2011





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

Superintendent and School Board
North Panola School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2010, which collectively comprise the North Panola School District's basic financial statements and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$15,412 of classroom supply funds carried over from previous years.

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

The results of procedures performed to test compliance with 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 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 regulation was not an objective of our audit and, accordingly, we do not express such an opinion.



The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. Principals Should Be Bonded for the Appropriate Amount by Law

Finding: Section 37-9-31, Miss. Code Ann. (1972) states, "All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000.00), with sufficient surety."

During our tests of surety bonds, we noted that all principals were bonded for \$25,000.

Recommendation: We recommend that the district comply with Sections 37-9-31, Miss. Code Ann. (1972), which requires that principals give a surety bond in the amounts of \$50,000.

School District's Response: The district will comply with Section 37-9-31, Miss. Code Ann. (1972) by ensuring that all principals are bonded for the proper amount.

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

The North Panola School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

March 25, 2011



NORTH PANOLA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH PANOLA SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

- 1. Type of auditor's report issued on the financial statements: Unqualified
- 2. Material noncompliance relating to the financial statements? No
- 3. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Federal Awards:

- 4. Type of auditor's report issued on compliance for major federal programs: Unqualified for all major programs except for the Child Nutrition Cluster, which was a qualified opinion
- 5. Internal control over major programs:
 - a. Material weakness (es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes
- 6. Any audit finding(s) reported as required by section ____ .510(a) of Circular A-133? Yes
- 7. Federal programs identified as major programs:
 - a. State fiscal stabilization fund (SFSF), education state grants, recovery act CFDA #84.394
 - b. Title I – grants to local education agencies CFDA #84.010 CFDA #84.389
 - c. Child nutrition cluster CFDA #10.553 CFDA #10.555 CFDA #10.559

NORTH PANOLA SCHOOL DISTRICT

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

8. The dollar threshold used to distinguish between type

A and type B programs: \$300,000

9. Auditee qualified as a low-risk auditee?

No

10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133?

No

Section II: Findings Related to the Financial Statements

Significant Deficiency Considered to be a Material Weakness

2010-1 Criteria or Requirement: Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

Condition: During our evaluation and tests of internal controls, we noted the Business Manager performed, or had the ability to perform, the following functions, which indicate a lack of segregation of duties:

- Prepared deposit slips, posted entries to the general ledger, and performed monthly bank reconciliations.
- Entered pay rates in the computer and reconciled the payroll bank account.

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

Cause: The school district has a small accounting staff.

Recommendation: The school district should have a segregation of duties among accounting functions. However, we recognize that management must assess the cost and benefits of implementing more segregation of duties.

Response: The district will attempt to segregate more duties assigned to the business manager.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency Considered not to be a Material Weakness

2010-2 Finding

Program: Child Nutrition cluster; CFDA # 10.553, # 10.555, and # 10.559

NORTH PANOLA SCHOOL DISTRICT

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

Compliance requirement: Eligibility and special test and provisions

Since sufficient competent evidential matter was destroyed in the fire at the Bus Shop and was not available to document and support eligibility and special tests and provisions, we were unable to express and do not express an opinion on the school's compliance with the requirements referred to above that are applicable to the major federal program for the year ended June 30, 2010.

Response: Due to no fault of the North Panola School District, the district's bus shop burned on January 23, 2010, destroying all food service documents. The district will have proper fire extinguishers installed in the new bus shop to attempt to prevent this from happening again.



North Panola School District

Office of the Superintendent of Education

470 U. S. Highway 51 North
Sardis, Mississippi 38666

Phone: 662-487-2305
Fax: 662-487-2050

Financial & Compliance Audit Division

As required by Section ___315(c) of OMB Circular A-133, the North Panola School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year Ended June 30, 2010:

Finding Corrective Action Plan Details

2010-1 a. Name of Contact Person Responsible for Corrective Action:

Name: Oscar Love, PhD
Title: Conservator
Phone #: (662) 487 - 2305

b. Corrective Action Planned:

The district will attempt to segregate more duties assigned to the business manager.

c. Anticipated Completion Date: June 30, 2011

2010-2 a. Name of Contact Person Responsible for Corrective Action:

Name: Oscar Love, PhD
Title: Conservator
Phone #: (662) 487 - 2305

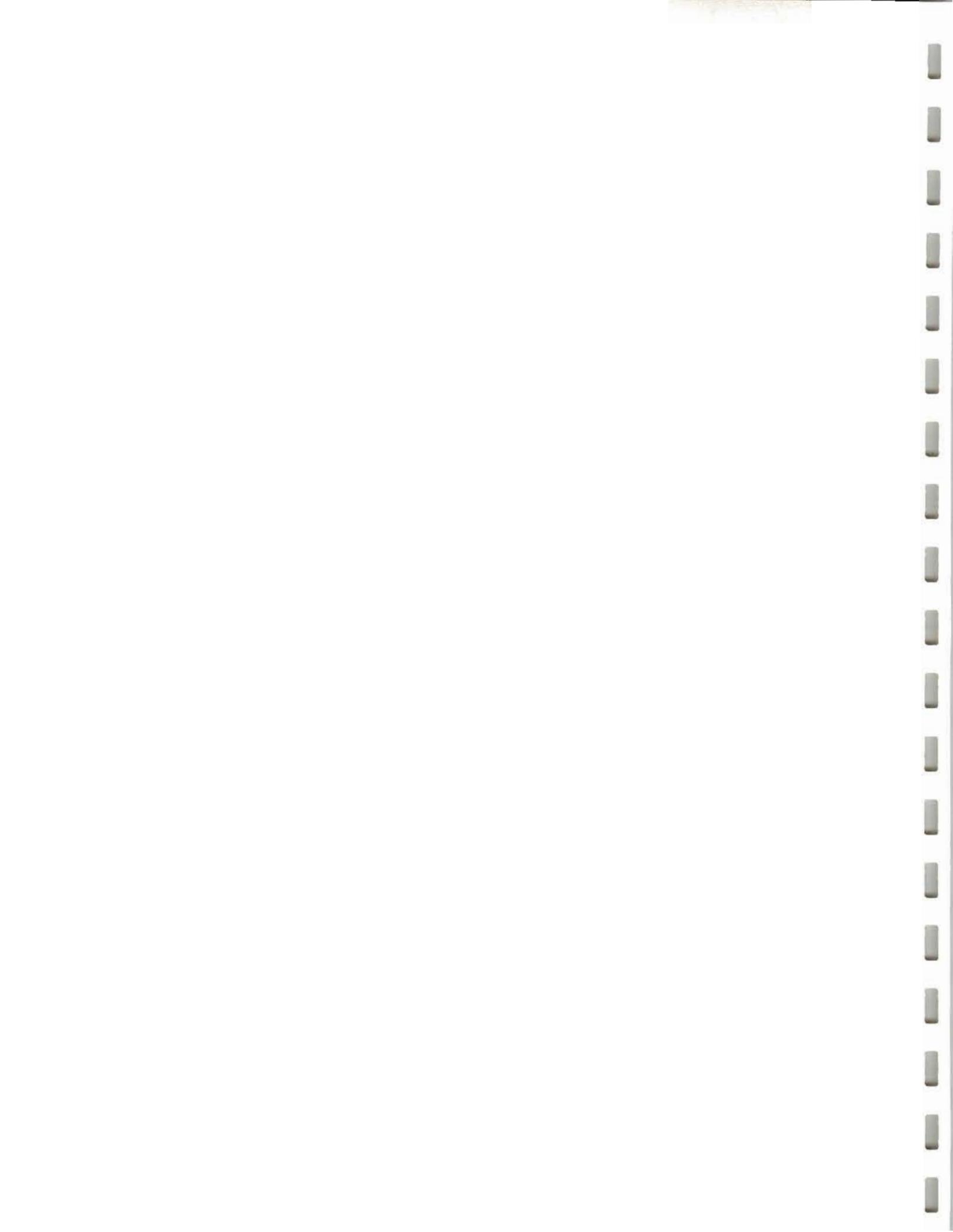
b. Corrective Action Planned:

Due to no fault of the North Panola School District, the district's bus shop burned on January 23, 2010, destroying all food service documents. The district will have proper fire extinguishers installed in the new bus shop to attempt to prevent this from happening again.

c. Anticipated Completion Date: Date unknown, upon completion of new bus shop.

Sincerely Yours,

Oscar Love, PhD, Conservator
North Panola School District





North Panola School District

Office of the Superintendent of Education

470 U. S. Highway 51 North
Sardis, Mississippi 38666

Phone: 662-487-2305
Fax: 662-487-2050

The North Panola School District has prepared and hereby submits the following responses to the findings for "Independent Auditor's Report on Compliance with State Laws and Regulations":

<u>Finding</u>	<u>District's Response</u>
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- | | |
|----|---|
| 1. | The district will comply with Section 37-9-31, Miss. Code Ann. (1972) by ensuring that all principals are bonded for the proper amount. |
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