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SOUTH PANOLA SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2012

Charles L. Shivers, CPA
Ridgeland, MS

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FINANCIAL AUDIT REPORT

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
South Panola School District

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

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Panola School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 9, 2013, on my consideration of the South Panola School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

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

Charles L Shivers, CPA

Ridgeland, MS
May 9, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SOUTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2012 decreased \$1,436,760, including a prior period adjustment of (\$877,935), which represents a 7.0% decrease from fiscal year 2011. Total net assets for 2011 increased \$2,776,723, which represents a 15.7% increase from fiscal year 2010.
- General revenues amounted to \$29,001,566 and \$29,201,549, or 76.0% and 72.6% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,171,539, or 24.0% of total revenues for 2012, and \$11,027,927, or 27.4% of total revenues for 2011.
- The District had \$38,731,930 and \$37,452,753 in expenses for fiscal years 2012 and 2011; only \$9,171,539 for 2012 and \$11,027,927 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$29,001,566 for 2012 and \$29,201,549 for 2011 were available to provide for these programs.
- Among major funds, the General Fund had \$28,625,721 in revenues and \$29,150,216 in expenditures for 2012, and \$28,259,801 in revenues and \$26,010,077 in expenditures in 2011. The General Fund's fund balance decreased by \$1,192,363 from 2011 to 2012, and increased by \$1,760,426 from 2010 to 2011.
- Capital assets, net of accumulated depreciation, decreased by \$1,231,856 for 2012 and decreased by \$531,757 for 2011. The decrease for 2012 was due to the increase in accumulated depreciation.
- Long-term debt decreased by \$1,235,865 for 2012 and decreased by \$1,044,187 for 2011. This decrease for 2012 was due primarily to the payments on outstanding long-term debt. The liability for compensated absences increased by \$61,301 for 2012 and increased by \$5,769 for 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$19,033,814 as of June 30, 2012.

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

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

Table 1
Condensed Statement of Net Assets

	June 30, 2012	June 30, 2011	Percentage Change
Current assets	\$ 7,831,473	\$ 9,049,321	-13.46 %
Restricted assets	2,996,071	3,091,194	-3.08 %
Capital assets, net	19,251,792	20,483,648	-6.01 %
Total assets	30,079,336	32,624,163	-7.80 %
Current liabilities	1,038,066	910,268	14.04 %
Long-term debt outstanding	10,007,456	11,243,321	-10.99 %
Total liabilities	11,045,522	12,153,589	-9.12 %
Net assets:			
Invested in capital assets, net of related debt	10,832,820	11,084,676	-2.27 %
Restricted	2,568,928	2,595,446	-1.02 %
Unrestricted	5,632,066	6,790,452	-17.06 %
Total net assets	\$ 19,033,814	\$ 20,470,574	-7.02 %

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 \$1,231,856.
- The issuance of long term debt of \$7,220,000.
- The principal retirement of \$1,357,166 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$38,173,105 and \$40,229,476, respectively. The total cost of all programs and services was \$38,731,930 for 2012 and \$37,452,753 for 2011.

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

Table 2
Changes in Net Assets

	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 947,138	\$ 937,824	0.99 %
Operating grants and contributions	8,224,401	10,090,103	(18.49) %
General revenues:			
Property taxes	8,974,195	8,969,971	0.05 %
Grants and contributions not restricted	19,912,311	19,795,710	0.59 %
Investment earnings	33,309	107,433	(69.00) %
Sixteenth section sources	35,189	35,189	0.00 %
Other	46,562	293,246	(84.12) %
Total revenues	38,173,105	40,229,476	(5.11) %
Expenses:			
Instruction	23,459,285	23,291,245	0.72 %
Support services	12,335,676	11,121,475	10.92 %
Non-instructional	2,598,831	2,534,155	2.55 %
Sixteenth section	0	1,299	(100.00) %
Interest and other expenses on long-term liabilities	338,138	504,579	(32.99) %
Total expenses	38,731,930	37,452,753	3.42 %
Increase (Decrease) in net assets	(558,825)	2,776,723	(120.13) %
Net Assets, July 1, as previously reported	20,470,574	17,693,851	15.69 %
Prior Period Adjustment	(877,935)	0	N/A
Net Assets, July 1, as restated	19,592,639	17,693,851	10.73 %
Net Assets, June 30	\$ 19,033,814	\$ 20,470,574	(7.02) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ 23,459,285	\$ 23,291,245	0.72 %
Support services	12,335,676	11,121,475	10.92 %
Non-instructional	2,598,831	2,534,155	2.55 %
Sixteenth section	0	1,299	(100.00) %
Interest and other expenses on long-term liabilities	338,138	504,579	(32.99) %
Total expenses	\$ 38,731,930	\$ 37,452,753	3.42 %

	Net (Expense) Revenue		Percentage Change
	2012	2011	
Instruction	\$ (19,882,171)	\$ (16,382,493)	21.36 %
Support services	(9,486,264)	(9,627,060)	(1.46) %
Non-instructional	146,182	90,605	61.34 %
Sixteenth section	0	(1,299)	(100.00) %
Interest and other expenses on long-term liabilities	(338,138)	(504,579)	(32.99) %
Total net (expense) revenue	\$ (29,560,391)	\$ (26,424,826)	11.87 %

- Net cost of governmental activities (\$29,560,391 for 2012 and \$26,424,826 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$8,974,195 for 2012 and \$8,969,971 for 2011) and state and federal revenues (\$19,912,311 for 2012 and \$19,795,710 for 2011).
- Investment earnings amounted to \$33,309 for 2012 and \$107,433 for 2011.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$10,627,420, a decrease of \$1,503,095, which includes a decrease in inventory of \$9,008. \$3,874,260 or 36.5% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,753,160 or 63.5% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

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 \$1,192,363. The fund balance of Other Governmental Funds showed a decrease in the amount of \$97,925, which includes a decrease in reserve for inventory of \$9,008. The increase (decrease) in the fund balances for the other major funds were as follows:

Title I Fund	\$	no increase or decrease
IDEA Part B Fund		no increase or decrease
Capital Projects Fund		(225,024)
QZAB Retirement Fund		12,217

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District's total capital assets were \$31,214,802, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$122,634 from 2011. Total accumulated depreciation as of June 30, 2012, was \$11,963,010, and total depreciation expense for the year was \$779,924, resulting in total net capital assets of \$19,251,792.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 723,090	\$ 723,090	0.00 %
Buildings	16,559,891	17,768,005	(6.80) %
Building improvements	269,804	370,724	(27.22) %
Improvements other than buildings	117,952	141,439	(16.61) %
Mobile equipment	1,483,614	1,402,563	5.78 %
Furniture and equipment	97,441	77,827	25.20 %
Total	\$ 19,251,792	\$ 20,483,648	(6.01) %

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

Debt Administration. At June 30, 2012, the District had \$10,007,456 in outstanding long-term debt, of which \$1,310,850 is due within one year. The liability for compensated absences increased \$61,301 from the prior year. The district issued \$7,220,000 in refunding bonds during the year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 3,745,000	\$ 4,225,000	(11.36) %
Limited obligation refunding bonds payable	3,475,000	3,975,000	(12.58) %
Three mill notes payable	950,000	1,115,000	(14.80) %
Shortfall notes payable	212,878	365,044	(41.68) %
Qualified zone academy bonds payable	1,198,972	1,198,972	0.00 %
Compensated absences payable	425,606	364,305	16.83 %
Total	\$ 10,007,456	\$ 11,243,321	(10.99) %

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

CURRENT ISSUES

The South 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the South Panola School District, 209 Boothe Street, Batesville, MS 38606.

FINANCIAL STATEMENTS

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South Panola School District
Statement of Net Assets
June 30, 2012

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 6,706,721
Due from other governments	1,084,313
Other receivables, net	364
Inventories	40,075
Restricted assets (Note 4)	2,996,071
Non-depreciable capital assets (Note 5)	723,090
Depreciable capital assets, net (Note 5)	18,528,702
Total Assets	<u>30,079,336</u>
Liabilities	
Accounts payable and accrued liabilities	200,124
Interest payable on long-term liabilities	677,738
Deferred credit on bonds payable	160,204
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	960,000
Non-capital related liabilities	350,850
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	7,458,972
Non-capital related liabilities	1,237,634
Total Liabilities	<u>11,045,522</u>
Net assets	
Invested in capital assets, net of related debt	10,832,820
Restricted net assets	
Expendable	
School-based activities	730,972
Debt service	1,677,099
Forestry improvements	25,740
Unemployment benefits	101,502
Non-expendable	
Sixteenth section	33,615
Unrestricted	<u>5,632,066</u>
Total Net Assets	<u>\$ 19,033,814</u>

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

South Panola School District
Statement of Activities
For the Year Ended June 30, 2012

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 23,459,285	559,194	3,017,920	(19,882,171)
Support services	12,335,676	25,695	2,823,717	(9,486,264)
Non-instructional	2,598,831	362,249	2,382,764	146,182
Interest and other expenses on long-term liabilities	338,138			(338,138)
Total Governmental Activities	38,731,930	947,138	8,224,401	(29,560,391)
General Revenues				
Taxes				
				8,107,709
				866,486
Unrestricted grants and contributions				
				19,577,188
				335,123
				33,309
				35,189
				46,562
				<u>29,001,566</u>
Changes in Net Assets				
(558,825)				
Net Assets - Beginning, as originally reported				
20,470,574				
Prior Period Adjustments (Note 13)				
(877,935)				
<u>Net Assets - Beginning - as restated</u>				
19,592,639				
<u>Net Assets - Ending</u>				
\$ 19,033,814				

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

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Retirement Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents (Note 2)	\$ 3,568,219			3,135,366	2,666	1,124,998	7,831,249
Cash with fiscal agent (Note 2)					2,340		2,340
Investments (Note 2)					1,824,891	44,312	1,869,203
Due from other governments	415,639	156,655	65,920			446,099	1,084,313
Other receivables, net						364	364
Due from other funds (Note 3)	298,314						298,314
Inventories						40,075	40,075
Total Assets	4,282,172	156,655	65,920	3,135,366	1,829,897	1,655,848	11,125,858
Liabilities and Fund Balances							
Liabilities							
Accounts payable & accrued liabilities	200,124						200,124
Due to other funds (Note 3)		156,655	65,920			75,739	298,314
Total Liabilities	200,124	156,655	65,920	0	0	75,739	498,438
Fund Balances							
Nonexpendable							
Inventory						40,075	40,075
Permanent fund principal						33,615	33,615
Restricted							
Debt service					1,829,897	685,144	2,515,041
Forestry improvements						25,740	25,740
Unemployment benefits						101,502	101,502
Grant activities						690,897	690,897
Assigned							
Facility improvements				3,135,366			3,135,366
Student activities	207,788					3,136	210,924
Unassigned	3,874,260						3,874,260
Total Fund Balances	4,082,048	0	0	3,135,366	1,829,897	1,580,109	10,627,420
Total Liabilities and Fund Balances	\$ 4,282,172	156,655	65,920	3,135,366	1,829,897	1,655,848	11,125,858

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South Panola School District
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2012

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds \$ 10,627,420

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Land	\$ 723,090	
Buildings	\$ 25,491,783	
Building improvements	\$ 453,504	
Improvement other than buildings	\$ 239,266	
Mobile equipment	\$ 3,182,741	
Furniture and equipment	\$ 1,124,418	
Accumulated depreciation	<u>\$(11,963,010)</u>	\$ 19,251,792

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

General obligation funding bonds payable	\$ (3,745,000)	
Limited obligation refunding bonds payable	\$ (3,475,000)	
Three mill notes payable	\$ (950,000)	
Shortfall notes payable	\$ (212,878)	
Qualified zone academy bonds payable	\$ (1,198,972)	
Compensated absences	\$ (425,606)	
Deferred credit on bonds payable	\$ (160,204)	
Accrued interest payable	<u>\$(677,738)</u>	<u>\$(10,845,398)</u>

Total Net Assets - Governmental Activities \$ 19,033,814

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

South Panola School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2012

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Retirement Fund	Other Governmental Funds	
Revenues							
Local sources	\$ 8,713,408			11,369	140,817	1,210,278	10,075,872
State sources	19,577,190					1,403,991	20,981,181
Federal sources	335,123	1,460,655	1,090,349			4,148,174	7,034,301
Sixteenth section sources						35,189	35,189
Total Revenues	28,625,721	1,460,655	1,090,349	11,369	140,817	6,797,632	38,126,543
Expenditures							
Instruction	18,546,206	955,561	701,049			2,829,286	23,032,102
Support services	10,604,010	432,328	376,001	236,393		758,493	12,407,225
Noninstructional services		69,766				2,460,469	2,530,235
Debt service							
Principal (Note 6)						1,357,166	1,357,166
Interest						314,302	314,302
Other					2,600	3,459	6,059
Total Expenditures	29,150,216	1,457,655	1,077,050	236,393	2,600	7,723,175	39,647,089
Excess (Deficiency) of Revenues Over Expenditures	(524,495)	3,000	13,299	(225,024)	138,217	(925,543)	(1,520,546)
Other Financing Sources (Uses)							
Proceeds of refunding bonds (Note 6)						7,220,000	7,220,000
Insurances loss recoveries	21,993						21,993
Sale of transportation equipment	10,175						10,175
Operating transfers in (Note 3)	189,548		9,701		3,000	1,031,108	1,233,357
Other financing sources						36,978	36,978
Operating transfers out (Note 3)	(889,584)	(3,000)	(23,000)		(129,000)	(188,773)	(1,233,357)
Payment to refunded bond escrow agent						(7,256,978)	(7,256,978)
Other financing uses						(5,709)	(5,709)
Total Other Financing Sources (Uses)	(667,868)	(3,000)	(13,299)	0	(126,000)	836,626	26,459
Net Change in Fund Balances	(1,192,363)	0	0	(225,024)	12,217	(88,917)	(1,494,087)

Fund Balances

July 1, 2011	5,274,411	0	0	3,360,390	1,817,680	1,678,034	12,130,515
Decrease in reserve for inventory						(9,008)	(9,008)
June 30, 2012	<u>\$ 4,082,048</u>	<u>0</u>	<u>0</u>	<u>3,135,366</u>	<u>1,829,897</u>	<u>1,580,109</u>	<u>10,627,420</u>

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

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

Exhibit D-1

Amount

Net Change in Fund Balance - Governmental Funds

\$ (1,494,087)

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

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

Capital outlay	452,078	
Depreciation expense	<u>(779,924)</u>	(327,846)

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(26,075)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(7,220,000)	
Payments of debt principal	8,517,166	
Accrued interest payable	(17,777)	
Deferred credit of bonds payable	<u>80,103</u>	1,359,492

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

Change in compensated absences	(61,301)	
Change in inventory reserve	<u>(9,008)</u>	<u>(70,309)</u>

Changes in Net Assets of Governmental Activities

\$ (558,825)

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

South Panola School District
Statement of Net Assets - Fiduciary Funds
June 30, 2012

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 1,630,642
Investments (Note 2)	<u>41,287</u>
Total Assets	<u><u>1,671,929</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,535,521
Due to student clubs	<u>136,408</u>
Total Liabilities	<u><u>\$ 1,671,929</u></u>

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

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South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

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

C. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services,

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that is used to account for Federal funds whose use is limited to services for educationally deprived children.

IDEA Part B Fund - This is a special revenue fund that is used to account for Federal funds whose use is limited to special education services.

Capital Projects Fund - This capital projects fund is financed with local funds and management has assigned its use for repairs and renovations of school buildings and related facilities.

QZAB Fund - This debt service fund is used to account for the retirement of the Qualified Zone Academy Bonds debt.

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

The District's fiduciary funds include the following:

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

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

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

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.

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

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

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

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

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

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

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

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

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

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

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

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

E. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

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, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, there are other funds whose assets are legally restricted.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

7. Compensated Absences

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

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

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

8. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

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

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there are no committed fund balances.

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

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

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

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,864,864 (which includes \$33,615 of certificates of deposit with original maturities beyond three months and reported on Exhibit C as investments) and \$1,671,929 (which includes \$41,287 of certificates of deposit with original maturities beyond three months and reported on Exhibit E as investments), respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$2,340.

Investments.

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

Investment Type	Rating	Maturities (in years)	Fair Value
Federated US Treasury Cash Reserve	AAAm	Less than 1 year	\$ 10,697
Certificates of Deposit	N/A	Less than 1 year	74,902
Federal Home Loan Bank	AAA	Less than 1 year	1,824,891
Total			<u>\$ 1,910,490</u>

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2012, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 156,655
	Major fund - IDEA Part B Fund	65,920
	Other governmental funds	75,739
Total		<u>\$ 298,314</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Major fund - IDEA Part B Fund	\$ 9,701
	Other governmental funds	879,883
Major fund - Title I Fund	General Fund	3,000
Major fund - IDEA Part B Fund	General Fund	23,000
Major Fund - QZAB Retirement	Other governmental funds	129,000
Other governmental funds	General Fund	163,548
Other governmental funds	Major Fund - QZAB Retirement	3,000
Other governmental funds	Other governmental funds	22,225
Total		<u>\$ 1,233,357</u>

The transfer out of the General Fund to the Other Governmental Funds was for the purpose of funding the vocational program. The transfer out of the major funds and the Other Governmental Funds to the General Fund is for indirect cost and a transfer from the 16th section interest fund. The transfer out of the Major Fund – QZAB Retirement to the debt service fund within the Other Governmental Funds was for excess ad valorem taxes credited to the Major Fund.

Note 4 – Restricted Assets

The restricted assets of \$2,996,071 represent the cash, cash with fiscal agent and investment balances of certain funds which are legally restricted and may not be used for purposes that support the district's programs, e.g., debt

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

service funds, 16th section principal fund, child nutrition program and certain other federally or state funded programs.

Note 5 – Capital Assets

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

	Balance 7/1/2011	Increases	Decreases	Adjustments	Balance 6/30/2012
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 723,090				723,090
Total non-depreciable capital assets	<u>723,090</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>723,090</u>
<u>Depreciable capital assets:</u>					
Buildings	25,426,783	65,000			25,491,783
Building improvements	453,504				453,504
Improvements other than buildings	271,770			(32,504)	239,266
Mobile equipment	3,092,000	348,586	(257,845)		3,182,741
Furniture and equipment	1,125,021	38,492	(29,011)	(10,084)	1,124,418
Total depreciable capital assets	<u>30,369,078</u>	<u>452,078</u>	<u>(286,856)</u>	<u>(42,588)</u>	<u>30,491,712</u>
<u>Less accumulated depreciation for:</u>					
Buildings	7,658,778	476,617		796,497	8,931,892
Building improvements	82,780	18,140		82,780	183,700
Improvements other than buildings	130,331	6,373		(15,390)	121,314
Mobile equipment	1,689,437	256,464	(232,060)	(14,714)	1,699,127
Furniture and equipment	1,047,194	22,330	(28,721)	(13,826)	1,026,977
Total accumulated depreciation	<u>10,608,520</u>	<u>779,924</u>	<u>(260,781)</u>	<u>835,347</u>	<u>11,963,010</u>
Total depreciable capital assets, net	<u>19,760,558</u>	<u>(327,846)</u>	<u>(26,075)</u>	<u>(877,935)</u>	<u>18,528,702</u>
Governmental activities capital assets, net	<u>\$ 20,483,648</u>	<u>(327,846)</u>	<u>(26,075)</u>	<u>(877,935)</u>	<u>19,251,792</u>

The adjustment to accumulated depreciation is the result of correcting the useful lives of certain assets. See Note 13 for additional information regarding the prior period adjustment.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 492,183
Support services	228,153
Non-instructional	59,588
Total depreciation expense - Governmental activities	<u>\$ 779,924</u>

Note 6 – Long-term Liabilities

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

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amounts due within one year
A. General obligation refunding bonds payable	\$ 4,225,000	3,745,000	4,225,000	3,745,000	590,000
B. Limited obligation refunding bonds payable	3,975,000	3,475,000	3,975,000	3,475,000	370,000
C. Three mill notes payable	1,115,000		165,000	950,000	170,000
D. Shortfall notes payable	365,044		152,166	212,878	159,570
E. Qualified zone academy bonds payable	1,198,972			1,198,972	0
F. Compensated absences payable	364,305	61,301		425,606	21,280
Total	<u>\$ 11,243,321</u>	<u>7,281,301</u>	<u>8,517,166</u>	<u>10,007,456</u>	<u>1,310,850</u>

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, series 2012	2.0	4/17/2012	5/1/2018	\$ 3,745,000	\$ 3,745,000

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 590,000	77,812	667,812
2014	605,000	63,100	668,100
2015	615,000	51,000	666,000
2016	630,000	38,700	668,700
2017	645,000	26,100	671,100
2018	660,000	13,200	673,200
Total	<u>\$ 3,745,000</u>	<u>269,912</u>	<u>4,014,912</u>

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

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, 2012, the amount of outstanding bonded indebtedness was equal to 1.8% of property assessments as of October 1, 2011.

Advance Refunding

On April 17, 2012, the district issued \$3,745,000 in general obligation refunding bonds (series 2012) with an interest rate of 2.0% to advance refund \$3,690,000 of outstanding general obligation refunding bonds (series 2005) with an interest rate of 4.0%. The net proceeds of \$3,764,620 (after payments of \$79,741 for issuance costs and

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

\$99,361 in bond premium) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation refunding bonds (series 2005).

As a result, the general obligation refunding bonds (series 2005) are considered to be defeased and the liability for those bonds general obligation refunding bonds (series 2005) has been removed from long-term liabilities.

The district advance refunded the general obligation refunding bonds (series 2005) to reduce its total debt service payments over the remaining six years of the debt by approximately \$209,488 and to realize an economic gain of \$195,484.

B. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds payable, series 2012	2.0	4/30/2012	3/1/2018	\$ 3,475,000	\$ 3,475,000

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 370,000	58,109	428,109
2014	595,000	62,100	657,100
2015	610,000	50,200	660,200
2016	625,000	38,000	663,000
2017	630,000	25,500	655,500
2018	645,000	12,900	657,900
Total	\$ 3,475,000	246,809	3,721,809

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

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

Advance Refunding

On April 30, 2012, the district issued \$3,475,000 in state aid capital improvement refunding bonds (series 2012) with an average interest rate of 2% to advance refund \$3,470,000 of outstanding state aid capital improvement refunding bonds (series 2006) with an interest rate of 3.75%. The net proceeds of \$3,492,358 (after payments of \$75,600 for issuance costs and \$92,958 in bond premium) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the state aid capital improvement refunding bonds (series 2006).

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

As a result, the state aid capital improvement refunding bonds (series 2006) are considered to be defeased and the liability for those bonds state aid capital improvement refunding bonds (series 2006) has been removed from long-term liabilities.

The district advance refunded the state aid capital improvement refunding bonds (series 2006) to reduce its total debt service payments over the remaining six years of the debt by approximately \$250,596 and to realize an economic gain of \$244,682.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year notes, series 2007	3.85-4.25	8/1/2007	6/1/2017	\$ 1,500,000	\$ 950,000

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 170,000	39,474	209,474
2014	180,000	32,590	212,590
2015	190,000	25,210	215,210
2016	200,000	17,324	217,324
2017	210,000	8,924	218,924
Total	\$ 950,000	123,522	1,073,522

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

D. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall notes, series 2009	5.5	8/19/2009	8/19/2012	\$ 310,000	\$ 108,566
2. Shortfall notes, series 2010	4.45	8/23/2010	8/23/2013	153,113	104,312
Total				\$ 463,113	\$ 212,878

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

1. Shortfall notes, series 2009:

Year Ending June 30	Principal	Interest	Total
2013	\$ 108,566	6,093	114,659

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

This debt will be retired from the Shortfall Note Retirement Fund (Debt Service Fund).

2. Shortfall notes, series 2010:

Year Ending June 30	Principal	Interest	Total
2013	\$ 51,004	4,710	55,714
2014	<u>53,308</u>	<u>2,407</u>	<u>55,715</u>
Total	<u>\$ 104,312</u>	<u>7,117</u>	<u>111,429</u>

This debt will be retired from the Shortfall Note Retirement Fund (Debt Service Fund).

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2013	\$ 159,570	10,803	170,373
2014	<u>53,308</u>	<u>2,407</u>	<u>55,715</u>
Total	<u>\$ 212,878</u>	<u>13,210</u>	<u>226,088</u>

E. Qualified zone academy bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds	0	8/12/2004	8/12/2014	<u>\$ 1,198,972</u>	<u>\$ 1,198,972</u>

F. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

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

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2012, 2011 and 2010 were \$2,554,653, \$2,428,098 and \$2,496,275, respectively, which equaled the required contributions for each year.

Note 8 – Sixteenth Section Lands

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

Year Ending	Amount
<u>June 30</u>	<u>Amount</u>
2013	\$ 35,189
2014	35,189
2015	35,189
2016	35,189
2017	<u>35,189</u>
Total	<u>\$ 175,945</u>

Note 9– 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.

Note 10 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 84 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the

South Panola School District
Notes to Financial Statements
For the Year Ended June 30, 2012

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.

Note 11 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Bank of America, has entered into such an arrangement dated August 12, 2004. This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 31. The amount on deposit at June 30, 2012 was \$1,827,231. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2013	\$ 230,000

Note 12 - Deferred credit on Bonds Payable

Upon the issuance of the interest free Quality Zone Academy Bonds, the district incurred a deferred credit on bonds payable in the amount of \$801,028. The deferred credit is based on imputed interest at a rate of 5.5%. This deferred credit is reported on Statement of Net Assets and as such will be amortized over the life of the bonds using the straight line method at an annual cost of \$80,102. The unamortized balance was \$160,204 at fiscal year end.

Note 13 – Prior Period Adjustments

A summary of significant Net Asset/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Adjustment to useful lives of certain capital assets affecting accumulated depreciation.	\$ (877,935)

Note 14 - 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 School District evaluated the activity of the district and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

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South Panola School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 10,240,243	8,713,408	8,713,408	(1,526,835)	0
State sources	19,334,833	19,577,190	19,577,190	242,357	0
Federal sources	230,000	335,123	335,123	105,123	0
Total Revenues	<u>29,805,076</u>	<u>28,625,721</u>	<u>28,625,721</u>	<u>(1,179,355)</u>	<u>0</u>
Expenditures					
Instruction	18,729,308	18,546,206	18,546,206	183,102	0
Support services	11,083,261	10,604,010	10,604,010	479,251	0
Facilities acquisition and construction	25,000	0	0	25,000	0
Debt service					
Principal	50,000	0	0	50,000	0
Total Expenditures	<u>29,887,569</u>	<u>29,150,216</u>	<u>29,150,216</u>	<u>737,353</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(82,493)</u>	<u>(524,495)</u>	<u>(524,495)</u>	<u>(442,002)</u>	<u>0</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	2,000	21,993	21,993	19,993	0
Sale of transportation equipment	1,500	10,175	10,175	8,675	0
Operating transfers in	3,578,993	2,795,923	189,548	(783,070)	(2,606,375)
Operating transfers out	(3,500,000)	(3,495,959)	(889,584)	4,041	2,606,375
Total Other Financing Sources (Uses)	<u>82,493</u>	<u>(667,868)</u>	<u>(667,868)</u>	<u>(750,361)</u>	<u>0</u>
Net Change in Fund Balances			<u>(1,192,363)</u>		
Fund Balances					
July 1, 2011			<u>5,274,411</u>		
June 30, 2012			<u>\$ 4,082,048</u>		

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

South Panola School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,682,686	1,460,655	1,460,655	(222,031)	0
Total Revenues	<u>1,682,686</u>	<u>1,460,655</u>	<u>1,460,655</u>	<u>(222,031)</u>	<u>0</u>
Expenditures					
Instruction	1,158,001	955,561	955,561	202,440	0
Support services	426,810	432,328	432,328	(5,518)	0
Noninstructional services	64,766	69,766	69,766	(5,000)	0
Total Expenditures	<u>1,649,577</u>	<u>1,457,655</u>	<u>1,457,655</u>	<u>191,922</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>33,109</u>	<u>3,000</u>	<u>3,000</u>	<u>(30,109)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(33,109)	(3,000)	(3,000)	(30,109)	0
Total Other Financing Sources (Uses)	<u>(33,109)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>(30,109)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2011			<u>0</u>		
June 30, 2012			<u>\$ 0</u>		

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

South Panola School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,360,642	1,090,349	1,090,349	(270,293)	0
Total Revenues	<u>1,360,642</u>	<u>1,090,349</u>	<u>1,090,349</u>	<u>(270,293)</u>	<u>0</u>
Expenditures					
Instruction	890,351	701,049	701,049	189,302	0
Support services	441,058	376,001	376,001	65,057	0
Total Expenditures	<u>1,331,409</u>	<u>1,077,050</u>	<u>1,077,050</u>	<u>254,359</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>29,233</u>	<u>13,299</u>	<u>13,299</u>	<u>(15,934)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in	0	9,701	9,701	(9,701)	0
Operating transfers out	(29,333)	(23,000)	(23,000)	(6,333)	0
Total Other Financing Sources (Uses)	<u>(29,333)</u>	<u>(13,299)</u>	<u>(13,299)</u>	<u>(16,034)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2011			<u>0</u>		
June 30, 2012			<u>\$ 0</u>		

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

South Panola School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2012

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

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South Panola School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 789,631
National school lunch program	10.555	1,916,935
Total child nutrition cluster		<u>2,706,566</u>
Total U.S. Department of Agriculture		<u>2,706,566</u>
U.S. Department of Labor		
Passed-through Mississippi Development Authority		
Workforce Investment Act - Youth Activities	17.259	156,668
Total U.S. Department of Labor		<u>156,668</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	50,646
Total Federal Communications Commission		<u>50,646</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	54,433
Twenty first century community learning centers	84.287	50,444
Rural education	84.358	114,377
Improving teacher quality - state grants	84.367	287,093
School improvement grants	84.377	141,127
Education jobs fund	84.410	27,152
Total		<u>674,626</u>
Education technology state grants cluster:		
Education technology - state grants	84.318	523
ARRA - education technology - state grants, recovery act	84.386	12,940
Total education technology state grants cluster		<u>13,463</u>
Title I cluster:		
Title I - grants to local educational agencies	84.010	1,460,655
ARRA - Title I - grants to local educational agencies, recovery act	84.389	187,560
Total title I cluster		<u>1,648,215</u>

South Panola School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
Special education cluster:		
Special education - grants to states	84.027	1,100,050
Special education - preschool grants	84.173	45,311
ARRA - Special education - grants to states, recovery act	84.391	634,759
ARRA - Special education - preschool grants, recovery act	84.392	47,339
Total special education cluster		<u>1,827,459</u>
 Total passed-through Mississippi Department of Education		 <u>4,163,763</u>
 Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	20,571
Total passed-through the Mississippi Institution of Higher Learning		<u>20,571</u>
 Total U.S. Department of Education		 <u>4,184,334</u>
 U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Human Services:		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	172,598
 Total U.S. Department of Health and Human Services		 <u>172,598</u>
 Other Federal Assistance		
Direct program:		
Reserve Officers' Training Corps	12.XXX	83,114
 Total Other Federal Assistance		 <u>83,114</u>
 Total for All Federal Awards		 <u>\$ 7,353,926</u>

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 29,340,842	22,390,842	788,146	2,084,895	4,076,959
Other	10,306,247	3,282,409	253,414	176,227	6,594,197
Total	\$ 39,647,089	25,673,251	1,041,560	2,261,122	10,671,156
Total number of students	<u>4,482</u>				
Cost per student	<u>\$ 8,845</u>	<u>5,728</u>	<u>232</u>	<u>504</u>	<u>2,381</u>

Notes to the schedule.

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

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

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

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

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

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OTHER SUPPLEMENTAL INFORMATION

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South Panola School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2012	2011*	2010*	2009*
Revenues				
Local sources	\$ 8,713,408	9,895,928	9,559,000	8,833,810
State sources	19,577,190	18,086,693	18,368,890	20,735,907
Federal sources	335,123	277,180	222,800	199,617
Total Revenues	<u>28,625,721</u>	<u>28,259,801</u>	<u>28,150,690</u>	<u>29,769,334</u>
Expenditures				
Instruction	18,546,206	16,083,758	16,778,776	18,133,832
Support services	10,604,010	9,926,319	10,221,020	10,738,236
Debt service				
Principal	0	0	0	104,307
Interest	0	0	0	4,109
Other	0	0	0	345
Total Expenditures	<u>29,150,216</u>	<u>26,010,077</u>	<u>26,999,796</u>	<u>28,980,829</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(524,495)</u>	<u>2,249,724</u>	<u>1,150,894</u>	<u>788,505</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	153,113	310,000	0
Insurances loss recoveries	21,993	8,056	29,048	0
Sale of transportation equipment	10,175	0	0	0
Operating transfers in	189,548	216,781	229,704	187,901
Operating transfers out	(889,584)	(867,248)	(2,300,908)	(1,007,996)
Total Other Financing Sources (Uses)	<u>(667,868)</u>	<u>(489,298)</u>	<u>(1,732,156)</u>	<u>(820,095)</u>
Net Change in Fund Balances	<u>(1,192,363)</u>	<u>1,760,426</u>	<u>(581,262)</u>	<u>(31,590)</u>
Fund Balances				
July 1	<u>5,274,411</u>	<u>3,513,985</u>	<u>4,095,247</u>	<u>4,126,837</u>
June 30	<u>\$ 4,082,048</u>	<u>5,274,411</u>	<u>3,513,985</u>	<u>4,095,247</u>

* Source - Prior year audit reports.

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

UNAUDITED

	2012	2011*	2010*	2009*
Revenues				
Local sources	\$ 10,075,872	11,554,710	11,293,606	10,474,016
Intermediate sources	0	35,862	70,725	0
State sources	20,981,181	19,480,073	19,748,920	22,597,624
Federal sources	7,034,301	9,035,483	8,188,065	5,784,050
Sixteenth section sources	35,189	35,189	58,029	41,939
Total Revenues	38,126,543	40,141,317	39,359,345	38,897,629
Expenditures				
Instruction	23,032,102	22,810,010	22,950,738	22,489,928
Support services	12,407,225	11,125,396	11,559,248	12,181,853
Noninstructional services	2,530,235	2,476,586	2,377,676	2,475,689
Sixteenth section	0	1,299	4,596	2,622
Facilities acquisition and construction			641,025	301,557
Debt service				
Principal	1,357,166	1,203,069	1,065,000	1,140,431
Interest	314,302	428,774	452,524	496,330
Other	6,059	3,580	5,003	10,555
Total Expenditures	39,647,089	38,048,714	39,055,810	39,098,965
Excess (Deficiency) of Revenues Over Expenditures	(1,520,546)	2,092,603	303,535	(201,336)
Other Financing Sources (Uses)				
Proceeds of refunding bonds	7,220,000	0	0	0
Proceeds of loans	0	153,113	310,000	0
Insurances loss recoveries	21,993	8,056	29,048	0
Sale of transportation equipment	10,175	0	0	0
Operating transfers in	1,233,357	1,084,095	2,550,061	1,195,897
Other financing sources	36,978	0	0	0
Operating transfers out	(1,233,357)	(1,084,095)	(2,550,061)	(1,195,897)
Payment to refunded bond escrow agent	(7,256,978)	0	0	0
Other financing uses	(5,709)	0	0	0
Total Other Financing Sources (Uses)	26,459	161,169	339,048	0
Net Change in Fund Balances	(1,494,087)	2,253,772	642,583	(201,336)
Fund Balances				
July 1	12,130,515	9,874,100	9,248,927	9,424,070
Increase (Decrease) in reserve for inventory	(9,008)	2,643	(17,410)	26,193
June 30	<u>\$ 10,627,420</u>	<u>12,130,515</u>	<u>9,874,100</u>	<u>9,248,927</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
South Panola School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Panola School District as of and for the year ended June 30, 2012, which collectively comprise the district's basic financial statements and have issued my report thereon dated May 9, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the school district is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Charles L. Shivers, CPA

Ridgeland, MS
May 9, 2013

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CHARLES L. SHIVERS

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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
South Panola School District

Compliance

I have audited the compliance of the South 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Charles L Shivers, CPA

Ridgeland, MS
May 9, 2013

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

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

Superintendent and School Board
South Panola School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued my report thereon dated May 9, 2013. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 \$7,643 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 my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

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

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

Charles L. Shivers, CPA

Ridgeland, MS
May 9, 2013

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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South Panola School District
 Schedule of Findings and Questioned Costs
 June 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency 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 |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to local educational agencies cluster | |
| | CFDA #: 84.010 | |
| | CFDA #: 84.389 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | CFDA #: 84.391 | |
| | CFDA #: 84.392 | |
| | c. Improving teacher quality – state grants | |
| | CFDA#: 84.367 | |
| 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 findings and questioned costs 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: Financial Statement Findings

The results of my tests did not disclose any findings and questioned costs related to the financial statements that are required to be reported under the *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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

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