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SOUTH PANOLA SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2013

Charles L. Shivers, CPA  
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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# CHARLES L. SHIVERS

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
South Panola School District

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the South Panola School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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### ***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Panola School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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 supplementary 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.

### *Other Information*

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 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), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the basic 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, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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.

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, as required by the Mississippi Department of Education, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated March 5, 2014, 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* in considering South Panola School District's internal control over financial reporting and compliance.

*Charles L. Shivers, CPA*

Ridgeland, MS  
March 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SOUTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 position for 2013 increased \$3,012,403, including a prior period adjustment of \$127,847, which represents a 15.8% increase from fiscal year 2012. Total net position for 2012 decreased \$1,436,760, including a prior period adjustment of (\$877,935), which represents a 7.0% decrease from fiscal year 2011.
- General revenues amounted to \$33,832,008 and \$29,001,566, or 82.8% and 76.0% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,027,265, or 17.2% of total revenues for 2013, and \$9,171,539, or 24.0% of total revenues for 2012.
- The District had \$37,974,717 and \$38,731,930 in expenses for fiscal years 2013 and 2012; only \$7,027,265 for 2013 and \$9,171,539 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$33,832,008 for 2013 and \$29,001,566 for 2012 were available to provide for these programs.
- Among major funds, the General Fund had \$30,204,991 in revenues and \$29,422,526 in expenditures for 2013, and \$28,625,721 in revenues and \$29,150,216 in expenditures in 2012. The General Fund's fund balance increased by \$206,707 from 2012 to 2013, and decreased by \$1,192,363 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$203,457 for 2013 and decreased by \$1,231,856 for 2012. The decrease for 2013 was due to the addition and disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,285,594 for 2013 and decreased by \$1,235,865 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$3,964 for 2013 and increased by \$61,301 for 2012.

#### 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 supplementary information, supplementary 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 Position 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 Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position, 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 Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary 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.

## Supplementary 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 position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,046,217 as of June 30, 2013.

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 position at June 30, 2013 and June 30, 2012.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 9,650,811	\$ 7,831,473	23.23 %
Restricted assets	3,078,754	2,996,071	2.76 %
Capital assets, net	19,048,335	19,251,792	-1.06 %
<b>Total assets</b>	<b>31,777,900</b>	<b>30,079,336</b>	<b>5.65 %</b>
<b>Deferred outflows of resources</b>	<b>0</b>	<b>0</b>	<b>N/A %</b>
Current liabilities	929,719	1,038,066	-10.44 %
Long-term debt outstanding	8,721,862	10,007,456	-12.85 %
<b>Total liabilities</b>	<b>9,651,581</b>	<b>11,045,522</b>	<b>-12.62 %</b>
<b>Deferred inflows of resources</b>	<b>80,102</b>	<b>0</b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	11,589,363	10,832,820	6.98 %
Restricted	2,642,623	2,568,928	2.87 %
Unrestricted	7,814,231	5,632,066	38.75 %
<b>Total net position</b>	<b>\$ 22,046,217</b>	<b>\$ 19,033,814</b>	<b>15.83 %</b>

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

- Decrease in net capital assets in the amount of \$203,457.
- The principal retirement of \$1,289,558 of long-term debt.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$40,859,273 and \$38,173,105, respectively. The total cost of all programs and services was \$37,974,717 for 2013 and \$38,731,930 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 829,054	\$ 947,138	(12.47) %
Operating grants and contributions	6,198,211	8,224,401	(24.64) %
General revenues:			
Property taxes	12,686,802	8,974,195	41.37 %
Grants and contributions not restricted	20,909,604	19,912,311	5.01 %
Investment earnings	120,311	33,309	261.20 %
Sixteenth section sources	35,189	35,189	0.00 %
Other	80,102	46,562	72.03 %
<b>Total revenues</b>	<b>40,859,273</b>	<b>38,173,105</b>	<b>7.04 %</b>
<b>Expenses:</b>			
Instruction	22,436,663	23,459,285	(4.36) %
Support services	12,585,070	12,335,676	2.02 %
Non-instructional	2,682,556	2,598,831	3.22 %
Sixteenth section	2,850	0	N/A %
Interest on long-term liabilities	267,578	338,138	(20.87) %
<b>Total expenses</b>	<b>37,974,717</b>	<b>38,731,930</b>	<b>(1.96) %</b>
<b>Increase (Decrease) in net position</b>	<b>2,884,556</b>	<b>(558,825)</b>	<b>616.18 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>19,033,814</b>	<b>20,470,574</b>	<b>(7.02) %</b>
<b>Prior Period Adjustment</b>	<b>127,847</b>	<b>(877,935)</b>	<b>114.56 %</b>
<b>Net Position, July 1, as restated</b>	<b>19,161,661</b>	<b>19,592,639</b>	<b>(2.20) %</b>
<b>Net Position, June 30</b>	<b>\$ 22,046,217</b>	<b>\$ 19,033,814</b>	<b>15.83 %</b>

**Governmental activities**

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term 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>2013</u>	<u>2012</u>	
Instruction	\$ 22,436,663	\$ 23,459,285	(4.36) %
Support services	12,585,070	12,335,676	2.02 %
Non-instructional	2,682,556	2,598,831	3.22 %
Sixteenth section	2,850	0	N/A %
Interest on long-term liabilities	267,578	338,138	(20.87) %
<b>Total expenses</b>	<b>\$ 37,974,717</b>	<b>\$ 38,731,930</b>	<b>(1.96) %</b>

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (19,820,503)	\$ (19,882,171)	(0.31) %
Support services	(11,066,169)	(9,486,264)	16.65 %
Non-instructional	209,648	146,182	43.42 %
Sixteenth section	(2,850)	0	N/A %
Interest on long-term liabilities	(267,578)	(338,138)	(20.87) %
<b>Total net (expense) revenue</b>	<b>\$ (30,947,452)</b>	<b>\$ (29,560,391)</b>	<b>4.69 %</b>

- Net cost of governmental activities (\$30,947,452 for 2013 and \$29,560,391 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$12,686,802 for 2013 and \$8,974,195 for 2012) and state and federal revenues (\$20,909,604 for 2013 and \$19,912,311 for 2012).
- Investment earnings amounted to \$120,311 for 2013 and \$33,309 for 2012.

## 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 \$12,556,372, an increase \$1,928,952, which includes a decrease in inventory of \$14,314. \$4,090,721 or 32.6% 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 \$8,465,651 or 67.4% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$206,707. The fund balance of Other Governmental Funds showed a decrease in the amount of \$15,342, which includes a decrease in reserve for inventory of \$14,314. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	\$ 0
IDEA Part B Fund	0
Capital Projects Fund	1,653,000
QZAB Retirement Fund	84,587

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$31,940,974, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$726,172 from 2012. Total accumulated depreciation as of June 30, 2013, was \$12,892,639, and total depreciation expense for the year was \$784,869, resulting in total net capital assets of \$19,048,335.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 723,090	\$ 723,090	0.00 %
Buildings	16,178,805	16,559,891	(2.30) %
Building improvements	382,624	269,804	41.82 %
Improvements other than buildings	111,579	117,952	(5.40) %
Mobile equipment	1,516,150	1,483,614	2.19 %
Furniture and equipment	136,087	97,441	39.66 %
<b>Total</b>	<b>\$ 19,048,335</b>	<b>\$ 19,251,792</b>	<b>(1.06) %</b>

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

**Debt Administration.** At June 30, 2013, the District had \$8,721,862 in outstanding long-term debt, of which \$1,454,800 is due within one year. The liability for compensated absences increased \$3,964 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 3,155,000	\$ 3,745,000	(15.75) %
Limited obligation refunding bonds payable	3,105,000	3,475,000	(10.65) %
Three mill notes payable	780,000	950,000	(17.89) %
Shortfall notes payable	53,320	212,878	(74.95) %
Qualified zone academy bonds payable	1,198,972	1,198,972	0.00 %
Compensated absences payable	429,570	425,606	0.93 %
<b>Total</b>	<b>\$ 8,721,862</b>	<b>\$ 10,007,456</b>	<b>(12.85) %</b>

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.

BASIC FINANCIAL STATEMENTS

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SOUTH PANOLA SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,812,955
Due from other governments	810,493
Other receivables, net	1,602
Inventories	25,761
Restricted assets (Note 4)	3,078,754
Non-depreciable capital assets (Note 5)	723,090
Depreciable capital assets, net (Note 5)	18,325,245
<b>Total Assets</b>	<u>31,777,900</u>
<b>Total Deferred Outflows of Resources</b>	<u>0</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	173,193
Interest payable on long-term liabilities	756,526
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	1,200,000
Non-capital related liabilities	254,800
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	6,258,972
Non-capital related liabilities	1,008,090
<b>Total Liabilities</b>	<u>9,651,581</u>
<b>Deferred Inflows of Resources</b>	
Deferred credit on bonds payable	80,102
<b>Total Deferred Inflows of Resources</b>	<u>80,102</u>
<b>Net Position</b>	
Net investment in capital assets	11,589,363
Restricted net position	
Expendable	
School-based activities	690,337
Debt service	1,804,450
Forestry improvements	22,975
Unemployment benefits	91,246
Non-expendable	
Sixteenth section	33,615
Unrestricted	<u>7,814,231</u>
<b>Total Net Position</b>	<u>\$ 22,046,217</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, 2013

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 22,436,663	441,706	2,174,454	(19,820,503)
Support services	12,585,070	25,843	1,493,058	(11,066,169)
Non-instructional	2,682,556	361,505	2,530,699	209,648
Sixteenth section	2,850			(2,850)
Interest on long-term liabilities	267,578			(267,578)
Total Governmental Activities	<u>37,974,717</u>	<u>829,054</u>	<u>6,198,211</u>	<u>(30,947,452)</u>
<b>General Revenues</b>				
Taxes				
General purpose levies				11,593,037
Debt purpose levies				1,093,765
Unrestricted grants and contributions				
State				20,551,462
Federal				358,142
Unrestricted investment earnings				120,311
Sixteenth section sources				35,189
Other				80,102
Total General Revenues				<u>33,832,008</u>
Changes in Net Position				<u>2,884,556</u>
Net Position - Beginning, as previously reported				19,033,814
Prior Period Adjustments (Note 9)				127,847
Net Position - Beginning - as restated				<u>19,161,661</u>
Net Position - Ending				<u>\$ 22,046,217</u>

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

SOUTH PANOLA SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2013

Exhibit C

	Major Funds						
	General Fund	Title I Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents (Note 2)	\$ 4,021,943			4,788,366	1,377	1,128,298	9,939,984
Cash with fiscal agent (Note 2)					2,183		2,183
Investments (Note 2)					1,910,924		1,949,542
Due from other governments	308,425	73,915	46,271			381,882	810,493
Other receivables, net						1,602	1,602
Due from other funds (Note 3)	131,580					8,739	140,319
Inventories						25,761	25,761
<b>Total Assets</b>	<b>4,461,948</b>	<b>73,915</b>	<b>46,271</b>	<b>4,788,366</b>	<b>1,914,484</b>	<b>1,584,900</b>	<b>12,869,884</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable & accrued liabilities	173,193						173,193
Due to other funds (Note 3)		73,915	46,271			20,133	140,319
<b>Total Liabilities</b>	<b>173,193</b>	<b>73,915</b>	<b>46,271</b>	<b>0</b>	<b>0</b>	<b>20,133</b>	<b>313,512</b>
<b>Fund Balances</b>							
Nonspendable							
Inventory							
Permanent fund principal							
Restricted							
Debt service					1,914,484		2,641,078
Forestry improvements						22,975	22,975
Unemployment benefits						91,246	91,246
Grant activities						664,576	664,576
Assigned							
School activities	198,034						198,034
Facility improvements				4,788,366			4,788,366
Unassigned	4,090,721						4,090,721
<b>Total Fund Balances</b>	<b>4,288,755</b>	<b>0</b>	<b>0</b>	<b>4,788,366</b>	<b>1,914,484</b>	<b>1,564,767</b>	<b>12,556,372</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,461,948</b>	<b>73,915</b>	<b>46,271</b>	<b>4,788,366</b>	<b>1,914,484</b>	<b>1,584,900</b>	<b>12,869,884</b>

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

SOUTH PANOLA SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2013

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,556,372
Amounts reported for governmental activities in the Statement of Net Position 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	25,561,783
Building improvements	682,504
Improvement other than buildings	239,266
Mobile equipment	3,445,937
Furniture and equipment	1,288,394
Accumulated depreciation	<u>(12,892,639)</u>
	19,048,335
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 refunding obligation bonds	(3,155,000)
Limited obligation refunding bonds	(3,105,000)
Three mill ten year notes	(780,000)
Shortfall notes	(53,320)
Qualified zone academy bonds	(1,198,972)
Compensated absences	(429,570)
Deferred credit on bonds payable	(80,102)
Accrued interest payable	<u>(756,526)</u>
	<u>(9,558,490)</u>
Total Net Position - Governmental Activities	<u><u>\$ 22,046,217</u></u>

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, 2013

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Capital Projects Fund	OZAB Retirement Fund	Other Governmental Funds	
<b>Revenues</b>							
Local sources	\$ 10,370,980			1,812,384	85,887	1,458,895	13,728,146
State sources	19,603,814					1,372,282	20,976,096
Federal sources	230,197	1,503,914	1,041,123			3,226,542	6,001,776
Sixteenth section sources						35,244	35,244
<b>Total Revenues</b>	<u>30,204,991</u>	<u>1,503,914</u>	<u>1,041,123</u>	<u>1,812,384</u>	<u>85,887</u>	<u>6,092,963</u>	<u>40,741,262</u>
<b>Expenditures</b>							
Instruction	18,592,686	851,091	690,575			1,843,126	21,977,478
Support services	10,829,840	549,299	325,848	330,785		611,465	12,647,237
Noninstructional services		69,954				2,588,183	2,658,137
Sixteenth section						2,850	2,850
Facilities acquisition and construction				70,000			70,000
Debt service							
Principal (Note 6)					1,300	1,289,558	1,289,558
Interest						186,490	186,490
Other						1,000	2,300
<b>Total Expenditures</b>	<u>29,422,526</u>	<u>1,470,344</u>	<u>1,016,423</u>	<u>400,785</u>	<u>1,300</u>	<u>6,522,672</u>	<u>38,834,050</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>782,465</u>	<u>33,570</u>	<u>24,700</u>	<u>1,411,599</u>	<u>84,587</u>	<u>(429,709)</u>	<u>1,907,212</u>
<b>Other Financing Sources (Uses)</b>							
Insurances loss recoveries	37,909						37,909
Sale of transportation equipment	4,525						4,525
Operating transfers in (Note 3)	223,811			241,401		841,718	1,306,930
Operating transfers out (Note 3)	(841,663)	(33,570)	(24,700)			(406,997)	(1,306,930)
Other financing uses	(340)					(6,040)	(6,380)
<b>Total Other Financing Sources (Uses)</b>	<u>(575,758)</u>	<u>(33,570)</u>	<u>(24,700)</u>	<u>241,401</u>	<u>0</u>	<u>428,681</u>	<u>36,054</u>
<b>Net Change in Fund Balances</b>	<u>206,707</u>	<u>0</u>	<u>0</u>	<u>1,653,000</u>	<u>84,587</u>	<u>(1,028)</u>	<u>1,943,266</u>
<b>Fund Balances</b>							
July 1, 2012	4,082,048	0	0	3,135,366	1,829,897	1,580,109	10,627,420
Decrease in reserve for inventory						(14,314)	(14,314)
<b>June 30, 2013</b>	<u>\$ 4,288,755</u>	<u>0</u>	<u>0</u>	<u>4,788,366</u>	<u>1,914,484</u>	<u>1,564,767</u>	<u>12,556,372</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, 2013

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 1,943,266
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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:</p>	
Capital outlay	460,464
Depreciation expense	<u>(784,869)</u>
	(324,405)
<p>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.</p>	
	(6,899)
<p>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 position. 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:</p>	
Payments of debt principal	1,289,558
Accrued interest payable	(78,788)
Deferred credit of bonds payable	<u>80,102</u>
	1,290,872
<p>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:</p>	
Change in compensated absences	(3,964)
Change in inventory reserve	<u>(14,314)</u>
	(18,278)
Changes in Net Position of Governmental Activities	<u>\$ 2,884,556</u>

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

SOUTH PANOLA SCHOOL DISTRICT  
Statement of Net Position - Statement of Fiduciary Assets and Liabilities  
June 30, 2013

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 1,638,394
Investments (Note 2)	<u>34,402</u>
Total Assets	<u><u>1,672,796</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,508,680
Due to student clubs	<u>164,116</u>
Total Liabilities	<u><u>\$ 1,672,796</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 the Financial Statements  
For Year Ended June 30, 2013

**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. 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.

**B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Position 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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 use 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.

#### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position 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.

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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 is both restricted and unrestricted net position 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 2012 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.

**D. 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.

**E. Assets, liabilities, deferred outflows/inflows, and net position/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.

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position 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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. 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.

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, there are no deferred outflows reported by the school district.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred credit on bonds payable is listed as a deferred inflow.

See Note 14 for further details.

8. 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.

9. Long-term Liabilities and Deferred Credit on Bonds Payable

In the government-wide financial statements, outstanding debt is reported as liabilities. The deferred credit on bonds payable is amortized over the terms of the bonds using a method that approximates the effective interest method.

10. 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.

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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. This formal action is documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 5% of the revenues of the General Fund.

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

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

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

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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 \$9,973,599 (which includes \$33,615 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$1,638,394 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 \$2,183.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Obligations	AAA	Less than 1 year	\$ 1,910,924
Federated U.S. Treasury Cash Reserve	AAAm	Less than 1 year	5,003
Certificates of deposit	N/A	Less than 1 year	68,017
Total			<u>\$ 1,983,944</u>

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

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its 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, 2013, 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:

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 73,915
	Major fund - IDEA Part B Fund	46,271
	Other governmental funds	11,394
Other governmental funds	Other governmental funds	<u>8,739</u>
Total		<u>\$ 140,319</u>

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain Federal funds as part of the normal year end closing entries.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 841,663
Major fund - Title I Fund	General Fund	33,570
Major fund - IDEA Part B Fund	General Fund	24,700
Other governmental funds	General Fund	165,541
	Major fund - Capital Projects Fund	241,401
	Other governmental funds	<u>55</u>
Total		<u>\$ 1,306,930</u>

The transfer out of the General Fund was for the purpose of funding the vocational program in the Other Governmental Funds. The transfers from the Major Funds to the General Fund are for indirect costs. The transfer from Other Governmental to the General fund includes indirect costs and a transfer from 16<sup>th</sup> section interest. The transfer from Other Governmental to Other Governmental is to fund debt.

**Note 4 – Restricted Assets**

The restricted assets of \$3,078,754 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 service funds, 16<sup>th</sup> 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:

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

	Balance 7/1/2012	Increases	Decreases	Adjstments	Balance 6/30/2013
<b>Governmental Activities:</b>					
<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	25,491,783	70,000			25,561,783
Building improvements	453,504	27,000		202,000	682,504
Improvements other than buildings	239,266				239,266
Mobile equipment	3,182,741	302,159	(64,963)	26,000	3,445,937
Furniture and equipment	1,124,418	61,305	(40,246)	142,917	1,288,394
Total depreciable capital assets	<u>30,491,712</u>	<u>460,464</u>	<u>(105,209)</u>	<u>370,917</u>	<u>31,217,884</u>
<u>Less accumulated depreciation for:</u>					
Buildings	8,931,892	451,086			9,382,978
Building improvements	183,700	27,300		88,880	299,880
Improvements other than buildings	121,314	6,373			127,687
Mobile equipment	1,699,127	258,047	(58,466)	31,079	1,929,787
Furniture and equipment	1,026,977	42,063	(39,844)	123,111	1,152,307
Total accumulated depreciation	<u>11,963,010</u>	<u>784,869</u>	<u>(98,310)</u>	<u>243,070</u>	<u>12,892,639</u>
Total depreciable capital assets, net	<u>18,528,702</u>	<u>(324,405)</u>	<u>(6,899)</u>	<u>127,847</u>	<u>18,325,245</u>
Governmental activities capital assets, net	<u>\$ 19,251,792</u>	<u>(324,405)</u>	<u>(6,899)</u>	<u>127,847</u>	<u>19,048,335</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 457,330
Support services	317,434
Non-instructional	10,105
Total depreciation expense - Governmental activities	<u>\$ 784,869</u>

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation refunding bonds payable	\$ 3,745,000		590,000	3,155,000	605,000
B. Limited obligation refunding bonds payable	3,475,000		370,000	3,105,000	595,000
C. Three mill notes payable	950,000		170,000	780,000	180,000
D. Shortfall notes payable	212,878		159,558	53,320	53,320
E. Qualified zone academy bonds payable	1,198,972			1,198,972	0
F. Compensated absences payable	425,606	3,964		429,570	21,480
Total	<u>\$ 10,007,456</u>	<u>3,964</u>	<u>1,289,558</u>	<u>8,721,862</u>	<u>1,454,800</u>

**A. General obligation refunding bonds payable**

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

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, series	2.0	4/17/2012	5/1/2018	\$ 3,745,000	3,155,000

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

Year Ending June 30	Principal	Interest	Total
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	\$ 3,155,000	192,100	3,347,100

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, 2013, the amount of outstanding bonded indebtedness was equal to 1.5% of property assessments as of October 1, 2012.

**B. Limited obligation refunding bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid improvement refunding bonds, series 2012	2.0	4/30/2012	3/1/2018	\$ 3,475,000	3,105,000

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

Year Ending June 30	Principal	Interest	Total
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	\$ 3,105,000	188,700	3,293,700

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

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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.

**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	780,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 180,000	32,950	212,950
2015	190,000	25,210	215,210
2016	200,000	17,324	217,324
2017	210,000	8,924	218,924
Total	\$ 780,000	84,408	864,408

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
Shortfall notes, series 2011	4.45	8/23/2010	8/23/2013	\$ 153,113	53,320

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 53,320	2,407	55,727

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

**E. Qualified zone academy bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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

**F. Compensated absences payable**

As more fully explained in Note 1(F)(8), 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.

**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, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$2,828,921, \$2,554,653 and \$2,428,098, 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 June 30	Amount
2014	\$ 35,189
2015	35,189
2016	35,189
2017	35,189
Total	\$ 140,756

**Note 9 – Prior Period Adjustments**

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

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

Exhibit B - Statement of Activities

Explanation	Amount
Adjustment to capital assets	\$ 127,847

**Note 10 – 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 11 – 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 90 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 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 12 – 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, 2013 was \$1,914,484. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. During the fiscal year, the district made the final deposit into the sinking fund.

**Note 13 - Insurance loss recoveries**

The School District received \$37,909 in insurance loss recoveries related to facility and vehicle damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

Insurance Loss		
Recoveries	Percentage	Expense Function
\$ <u>37,909</u>	100%	Support services

**Note 14 – Effect of Deferred Amounts on Net Position**

The restricted debt service net position amount of (\$1,804,450) includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted from the issuance of an interest free debt obligation. The \$80,102 balance of the deferred inflow of resources at June 30, 2013 will be recognized as revenue and increase unrestricted net position during the final year of the outstanding debt obligation.

**Note 15 - Subsequent Events**

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through March 5, 2014, and determined that the no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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SOUTH PANOLA SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 10,240,243	10,396,982	10,370,980	156,739	(26,002)
State sources	19,334,833	19,603,814	19,603,814	268,981	0
Federal sources	230,000	202,282	230,197	(27,718)	27,915
Total Revenues	<u>29,805,076</u>	<u>30,203,078</u>	<u>30,204,991</u>	<u>398,002</u>	<u>1,913</u>
Expenditures					
Instruction	18,845,666	18,592,686	18,592,686	252,980	0
Support services	1,076,273	10,829,840	10,829,840	(9,753,567)	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>19,996,939</u>	<u>29,422,526</u>	<u>29,422,526</u>	<u>(9,425,587)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,808,137</u>	<u>780,552</u>	<u>782,465</u>	<u>(9,027,585)</u>	<u>1,913</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	2,000	37,909	37,909	35,909	0
Sale of transportation equipment	1,500	4,525	4,525	3,025	0
Operating transfers in	3,555,342	2,767,950	223,811	(787,392)	(2,544,139)
Operating transfers out	(3,500,000)	(3,383,890)	(841,663)	116,110	2,542,227
Other financing uses	0	0	(340)	0	(340)
Total Other Financing Sources (Uses)	<u>58,842</u>	<u>(573,506)</u>	<u>(575,758)</u>	<u>(632,348)</u>	<u>(2,252)</u>
Net Change in Fund Balances			<u>206,707</u>		
Fund Balances					
July 1, 2012			<u>4,082,048</u>		
June 30, 2013			<u>\$ 4,288,755</u>		

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

SOUTH PANOLA SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Federal sources	\$ 104,399	1,503,914	1,503,914	1,399,515	0
Total Revenues	<u>104,399</u>	<u>1,503,914</u>	<u>1,503,914</u>	<u>1,399,515</u>	<u>0</u>
<b>Expenditures</b>					
Instruction	515,573	851,091	851,091	(335,518)	0
Support services	397,666	549,299	549,299	(151,633)	0
Noninstructional services	88,160	69,954	69,954	18,206	0
Total Expenditures	<u>1,001,399</u>	<u>1,470,344</u>	<u>1,470,344</u>	<u>(468,945)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(897,000)</u>	<u>33,570</u>	<u>33,570</u>	<u>930,570</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers out	(3,000)	(33,570)	(33,570)	(30,570)	0
Total Other Financing Sources (Uses)	<u>(3,000)</u>	<u>(33,570)</u>	<u>(33,570)</u>	<u>(30,570)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
<b>Fund Balances</b>					
July 1, 2012			<u>0</u>		
June 30, 2013			<u>\$ 0</u>		

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

SOUTH PANOLA SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Federal sources	\$ 1,294,985	1,041,123	1,041,123	(253,862)	0
<b>Total Revenues</b>	<u>1,294,985</u>	<u>1,041,123</u>	<u>1,041,123</u>	<u>(253,862)</u>	<u>0</u>
<b>Expenditures</b>					
Instruction	734,095	690,575	690,575	43,520	0
Support services	537,891	325,848	325,848	212,043	0
<b>Total Expenditures</b>	<u>1,271,986</u>	<u>1,016,423</u>	<u>1,016,423</u>	<u>255,563</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>22,999</u>	<u>24,700</u>	<u>24,700</u>	<u>1,701</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers out	(23,000)	(24,700)	(24,700)	(1,700)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(23,000)</u>	<u>(24,700)</u>	<u>(24,700)</u>	<u>(1,700)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
<b>Fund Balances</b>					
July 1, 2012			<u>0</u>		
June 30, 2013			<u>\$ 0</u>		

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

SOUTH PANOLA SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

(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.

SUPPLEMENTARY INFORMATION

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SOUTH PANOLA SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

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	\$ 830,317
National school lunch program	10.555	2,010,269
Summer food service program for children	10.559	12,618
Total child nutrition cluster		<u>2,853,204</u>
Total U.S. Department of Agriculture		<u>2,853,204</u>
<u>U.S. Department of Labor</u>		
Passed-through Mississippi Development Authority		
Workforce Investment Act - Youth Activities	17.259	117,980
Total U.S. Department of Labor		<u>117,980</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	91,544
Total Federal Communications Commission		<u>91,544</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,503,915
Career and technical education - basic grants to states	84.048	53,053
Twenty first century community learning centers	84.287	4,476
Rural education	84.358	94,130
Improving teacher quality - state grants	84.367	261,829
School improvement grants	84.377	46,660
Total		<u>1,964,063</u>
Special education cluster:		
Special education - grants to states	84.027	1,041,123
Special education - preschool grants	84.173	52,354
Total special education cluster		<u>1,093,477</u>
Total passed-through Mississippi Department of Education		<u>3,057,540</u>
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	9,219
Total passed-through the Mississippi Institution of Higher Learning		<u>9,219</u>
Total U.S. Department of Education		<u>3,066,759</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	27,915
Total U.S. Department of Health and Human Services		<u>27,915</u>

SOUTH PANOLA SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	85,990
Total Other Federal Assistance		85,990
Total for All Federal Awards		\$ 6,243,392

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as 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, 2013

<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	\$ 28,739,152	\$ 21,931,675	\$ 771,984	\$ 2,042,140	\$ 3,993,353
Other	<u>\$ 10,094,898</u>	<u>\$ 3,215,097</u>	<u>\$ 248,217</u>	<u>\$ 172,613</u>	<u>\$ 6,458,971</u>
Total	<u>\$ 38,834,050</u>	<u>\$ 25,146,772</u>	<u>\$ 1,020,201</u>	<u>\$ 2,214,753</u>	<u>\$ 10,452,324</u>
 Total number of students	 <u>4,515</u>				
 Cost per student	 <u>\$ 8,602</u>	 <u>\$ 5,570</u>	 <u>\$ 226</u>	 <u>\$ 491</u>	 <u>\$ 2,315</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 INFORMATION

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SOUTH PANOLA SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	\$ 10,370,980	8,713,408	9,895,928	9,559,000
State sources	19,603,814	19,577,190	18,086,693	18,368,890
Federal sources	230,197	335,123	277,180	222,800
Total Revenues	<u>30,204,991</u>	<u>28,625,721</u>	<u>28,259,801</u>	<u>28,150,690</u>
Expenditures				
Instruction	18,592,686	18,546,206	16,083,758	16,778,776
Support services	10,829,840	10,604,010	9,926,319	10,221,020
Total Expenditures	<u>29,422,526</u>	<u>29,150,216</u>	<u>26,010,077</u>	<u>26,999,796</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>782,465</u>	<u>(524,495)</u>	<u>2,249,724</u>	<u>1,150,894</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	153,113	310,000
Insurances loss recoveries	37,909	21,993	8,056	29,048
Sale of transportation equipment	4,525	10,175	0	0
Operating transfers in	223,811	189,548	216,781	229,704
Operating transfers out	(841,663)	(889,584)	(867,248)	(2,300,908)
Other financing uses	(340)	0	0	0
Total Other Financing Sources (Uses)	<u>(575,758)</u>	<u>(667,868)</u>	<u>(489,298)</u>	<u>(1,732,156)</u>
Net Change in Fund Balances	<u>206,707</u>	<u>(1,192,363)</u>	<u>1,760,426</u>	<u>(581,262)</u>
Fund Balances				
July 1	4,082,048	5,274,411	3,513,985	4,095,247
June 30	<u>\$ 4,288,755</u>	<u>4,082,048</u>	<u>5,274,411</u>	<u>3,513,985</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			
	2013	2012*	2011*	2010*
<b>Revenues</b>				
Local sources	\$ 13,728,146	10,075,872	11,554,710	11,293,606
Intermediate sources	0	0	35,862	70,725
State sources	20,976,096	20,981,181	19,480,073	19,748,920
Federal sources	6,001,776	7,034,301	9,035,483	8,188,065
Sixteenth section sources	35,244	35,189	35,189	58,029
<b>Total Revenues</b>	<u>40,741,262</u>	<u>38,126,543</u>	<u>40,141,317</u>	<u>39,359,345</u>
<b>Expenditures</b>				
Instruction	21,977,478	23,032,102	22,810,010	22,950,738
Support services	12,647,237	12,407,225	11,125,396	11,559,248
Noninstructional services	2,658,137	2,530,235	2,476,586	2,377,676
Sixteenth section	2,850	0	1,299	4,596
Facilities acquisition and construction	70,000	0	0	641,025
Debt service				
Principal	1,289,558	1,357,166	1,203,069	1,065,000
Interest	186,490	314,302	428,774	452,524
Other	2,300	6,059	3,580	5,003
<b>Total Expenditures</b>	<u>38,834,050</u>	<u>39,647,089</u>	<u>38,048,714</u>	<u>39,055,810</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,907,212</u>	<u>(1,520,546)</u>	<u>2,092,603</u>	<u>303,535</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of refunding bonds	0	7,220,000	0	0
Proceeds of loans	0	0	153,113	310,000
Insurances loss recoveries	37,909	21,993	8,056	29,048
Sale of transportation equipment	4,525	10,175	0	0
Operating transfers in	1,306,930	1,233,357	1,084,095	2,550,061
Other financing sources	0	36,978	0	0
Operating transfers out	(1,306,930)	(1,233,357)	(1,084,095)	(2,550,061)
Payment to refunded bond escrow agent	0	(7,256,978)	0	0
Other financing uses	(6,380)	(5,709)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>36,054</u>	<u>26,459</u>	<u>161,169</u>	<u>339,048</u>
<b>Net Change in Fund Balances</b>	<u>1,943,266</u>	<u>(1,494,087)</u>	<u>2,253,772</u>	<u>642,583</u>
<b>Fund Balances</b>				
July 1	10,627,420	12,130,515	9,874,100	9,248,927
Increase (Decrease) in reserve for inventory	<u>(14,314)</u>	<u>(9,008)</u>	<u>2,643</u>	<u>(17,410)</u>
June 30	<u>\$ 12,556,372</u>	<u>10,627,420</u>	<u>12,130,515</u>	<u>9,874,100</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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## 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*

### Independent Auditor's Report

Superintendent and School Board  
South Panola School District

I have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Panola School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise South Panola School District's basic financial statements, and have issued my report thereon dated March 5, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered South Panola School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Panola School District's internal control. Accordingly, I do not express an opinion on the effectiveness of South Panola School District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies. [2013-01 and 2013-02].

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Panola School District's financial statements are free from 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*.

## South Panola School District's Response to Findings

South Panola School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. South Panola School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Charles L Shivers, CPA*

Ridgeland, MS  
March 5, 2014

# CHARLES L. SHIVERS

*Certified Public Accountant*

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

### Independent Auditor's Report

Superintendent and School Board  
South Panola School District

#### **Report on Compliance for Each Major Federal Program**

I have audited South Panola School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Panola School District's major federal programs for the year ended June 30, 2013. South Panola School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of South Panola School District's major federal programs based on my audit of the types of compliance requirements referred to above. 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 South Panola 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 on compliance for each major federal program. However, my audit does not provide a legal determination of South Panola School District's compliance.

#### ***Opinion on Each Major Federal Program***

In my opinion, South Panola School District complied, in all material respects, with the types of 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, 2013.

#### **Report on Internal Control Over Compliance**

Management of South Panola School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered South Panola School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 South Panola 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Charles L Shivers, CPA*

Ridgeland, MS  
March 5, 2014

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 South Panola School District as of and for the year ended June 30, 2013, which collectively comprise South Panola School District's basic financial statements and have issued my report thereon dated March 5, 2014. 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 \$-0- 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, the Office of the State Auditor 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  
March 5, 2014

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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, 2013

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? | Yes         |

**Federal Awards:**

- |     |  |               |
|-----|--|---------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified   |
| 5.  | Internal control over major programs:  |               |
|     | a. Material 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. Child nutrition cluster   |               |
|     | CFDA #: 10.553   |               |
|     | CFDA #: 10.555   |               |
|     | CFDA #: 10.559   |               |
|     | b. Title I grants to local educational agencies cluster  |               |
|     | CFDA #: 84.010   |               |
| 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

Significant deficiencies identified that are not considered to be material weaknesses.

**Finding 2013-01**

CONDITION: A listing of assets by site was remitted to the respective sites for verification of the inventory at that site. The verification of the inventory by site was never returned to the central office for reconciliation to the accounting records.

CRITERIA: A well designed system of accounting controls would be such that once the verification is completed at the various sites, the listing of inventory, as corrected, would be returned to the central office so proper reconciliation, and corrections, if any, could be made to the accounting records.

CAUSE OF CONDITION: The cause of the condition was failure of the district to comply with existing accounting control procedures.

EFFECT OF CONDITION: The effect of this condition could result in an inaccurate and incomplete inventory of assets.

SOUTH PANOLA SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2013

RECOMMENDATION: It is recommended that verified inventory listings by site be returned to the central office for proper reconciliation to the accounting system.

**Finding 2013-02**

CONDITION: Upon testing the high school event forms for a football game, it was noted that the ticket event form for two gates were not properly completed. There was no indication of the tickets sold (beginning ticket number and ending ticket number). It was also noted that the deposit was \$479 greater than the sum of the individual gate ticket forms.

CRITERIA: A well designed system of controls would be such that the individuals responsible for selling the tickets at school events would properly account for the tickets sold at their respective gates.

CAUSE OF CONDITION: The cause of the condition was an inadequately designed system of controls and a failure to follow certain other controls.

EFFECT OF CONDITION: The effect of this condition could result in errors or irregularities occurring in the reconciling of tickets sold to the cash received.

RECOMMENDATION: It is recommended that the individuals responsible for selling tickets at school events properly complete the school event form and that the sum of ticket sales for all gates agree to the cash deposit for the event.

**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.

AUDITEE'S CORRECTIVE ACTION PLAN

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# South Panola School District

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Web Site: [www.southpanola.k12.ms.us](http://www.southpanola.k12.ms.us)

February 26, 2014

As required by Section 315(c) of OMB Circular A-133, the South Panola School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

## Finding 2013-01

### Corrective Action Plan

- a. Contact person: Tina Hamby
- b. All verified inventory listings from each location will be returned to the central office for reconciliation to the accounting system. A spot check of inventory will be done at each location twice a year by Mrs. Hamby. Also a full inventory check will be done by Mrs. Hamby once per year.
- c. March 15, 2014

## Finding 2013-02

### Corrective Action Plan

- a. Contact person: Suzanne Covington
- b. More controls and oversight will be implemented for event ticket sales. Staff development will be held to inform employees of their specific tasks that must be completed when selling event tickets. Deposits and ticket sales will be reconciled by two or more individuals.
- c. April 15, 2014

Sincerely,



Superintendent of Education

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