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**NORTH PANOLA SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2014**





**NORTH PANOLA SCHOOL DISTRICT  
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**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
North Panola School District  
Sardis, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the North 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District, as of June 30, 2014, 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 on pages 6 to 15 and 40 to 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Panola School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 financial statements or to the generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of the North Panola School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Panola School District's internal control over financial reporting and compliance.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, MS  
October 26, 2016



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**NORTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

The following discussion and analysis of North Panola School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. 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 2014 increased \$341,477, which represents a 3.85% increase from fiscal year 2013. Total net position for 2013 increased \$397,440, which represents a 4.69% increase from fiscal year 2012.
- General revenues amounted to \$11,788,054 and \$11,843,999, or 74.23% and 71.92% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,091,485, or 25.77% of total revenues for 2014, and \$4,625,297, or 28.08% of total revenues for 2013.
- The District had \$15,538,062 and \$16,072,324 in expenses for fiscal years 2014 and 2013; only \$4,091,485 for 2014 and \$4,625,297 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,788,054 for 2014 and \$11,843,999 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,007,084 in revenues and \$11,182,889 in expenditures for 2014, and \$10,840,160 in revenues and \$11,029,039 in expenditures in 2013. The General Fund's fund balance increased by \$57,033 from 2013 to 2014, and decreased by \$66,557 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$160,076 for 2014 and increased by \$719,491 for 2013.
- Long-term debt decreased by \$288,066 for 2014 and increased by \$3,870 for 2013. The liability for compensated absences decreased by \$15,445 for 2014 and decreased by \$9,401 for 2013.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net 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.

**NORTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

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 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.

**NORTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplemental Information**

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

**Supplemental Information**

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

**Other Information**

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

**NORTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$9,205,529 as of June 30, 2014.

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, 2014 and June 30, 2013.

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 4,900,273	\$ 4,817,889	2%
Restricted assets	345,414	209,526	65%
Capital assets, net	<u>7,447,142</u>	<u>7,607,218</u>	-2%
<b>Total assets</b>	<u>12,692,829</u>	<u>12,634,633</u>	<b>0%</b>
<b>Deferred outflows of resources</b>	<u>20,832</u>	<u>-</u>	<u>100%</u>
Current liabilities	\$ 178,961	\$ 155,344	15%
Long-term debt outstanding	<u>3,329,171</u>	<u>3,615,237</u>	-8%
<b>Total liabilities</b>	<u>3,508,132</u>	<u>3,770,581</u>	<b>-7%</b>
<b>Net position:</b>			
Invested in capital assets, net of related debt	4,239,106	4,107,728	3%
Restricted	1,249,007	1,226,363	2%
Unrestricted	<u>3,717,416</u>	<u>3,529,961</u>	5%
<b>Total net position</b>	<u>\$ 9,205,529</u>	<u>\$ 8,864,052</u>	<b>4%</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 \$160,076.
- The principal retirement of \$292,002 of long-term debt.

**NORTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$15,879,539 and \$16,469,296, respectively. The total cost of all programs and services was \$15,538,062 for 2014 and \$16,072,324 for 2013.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 285,323	\$ 260,385	10%
Operating grants and contributions	3,806,162	4,364,912	-13%
General revenues			
Property taxes	3,384,234	3,476,882	-3%
Grants and contributions not restricted	7,971,487	8,131,627	-2%
Unrestricted investment earnings	16,083	16,612	-3%
Other	416,250	218,878	90%
<b>Total revenues and extraordinary items</b>	<u>15,879,539</u>	<u>16,469,296</u>	<u>-4%</u>
<b>Expenses:</b>			
Instruction	8,403,147	8,904,783	-6%
Support services	5,814,342	5,846,487	-1%
Non-instructional	1,097,666	1,130,264	-3%
Interest on long-term liabilities	222,907	190,790	17%
<b>Total expenses</b>	<u>15,538,062</u>	<u>16,072,324</u>	<u>-3%</u>
<b>Increase (Decrease) in net position</b>	341,477	396,972	-14%
<b>Net position, July 1, as previously reported</b>	8,864,052	8,466,612	5%
<b>Prior period adjustment</b>	-	468	100%
<b>Net position, July 1, as restated</b>	<u>8,864,052</u>	<u>8,467,080</u>	<u>5%</u>
<b>Net position, June 30</b>	<u>\$ 9,205,529</u>	<u>\$ 8,864,052</u>	<u>4%</u>

**NORTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Governmental activities**

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, 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 Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 8,403,147	\$ 8,904,783	-6%
Support services	5,814,342	5,846,487	-1%
Non-instructional	1,097,666	1,130,264	-3%
Interest on long-term liabilities	222,907	190,790	17%
<b>Total expenses</b>	<u>\$ 15,538,062</u>	<u>\$ 16,072,324</u>	<u>-3%</u>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (6,331,783)	\$ (6,748,215)	-6%
Support services	(4,459,253)	(4,651,645)	-4%
Non-instructional	(432,634)	143,623	-401%
Interest on long-term liabilities	(222,907)	(190,790)	17%
<b>Total net (expense) revenue</b>	<u>\$ (11,446,577)</u>	<u>\$ (11,447,027)</u>	<u>0%</u>

- Net cost of governmental activities (\$11,446,577 for 2014 and \$11,44,027 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$3,384,234 for 2014 and \$3,476,882 for 2013 and state and federal revenues (\$7,971,487 for 2014 and \$8,131,627 for 2013
- Investment earnings amounted to \$16,083 for 2014 and 16,612 for 2013.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,143,840, an increase of \$250,476. \$3,993,703 or 77.64% 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 \$1,150,137 or 22.36% 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.

**NORTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$57,033. The fund balance of Other Governmental Funds showed an increase in the amount of \$193,443. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Fund 1 Title I Fund	no increase or decrease
EHA, Part B	no increase or decrease

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$15,272,642, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$199,619 from 2013. Total accumulated depreciation as of June 30, 2014, was \$7,825,500, and depreciation expense for the year was \$378,048, resulting in total net capital assets of \$7,447,142.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 139,509	\$ 139,509	0%
Construction in progress	-	-	N/A
Buildings	3,027,318	3,083,659	-2%
Building Improvements	3,487,146	3,506,405	-1%
Improvements other than buildings	71,477	39,271	82%
Mobile equipment	402,924	477,849	-16%
Furniture and equipment	72,174	86,866	-17%
Leased property under capital leases	246,594	273,659	-10%
<b>Total</b>	<u>\$ 7,447,142</u>	<u>\$ 7,607,218</u>	<u>-2%</u>

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

**NORTH PANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Debt Administration.** At June 30, 2014, the District had \$3,329,171 in outstanding long-term debt, of which \$432,662 is due within one year. The liability for compensated absences decreased \$15,445 from the prior year.

The District maintains an AA bond rating.

**Table 5  
Outstanding Long-Term Debt**

**Table 5  
Outstanding Long-Term Debt**

			Percentage
	June 30, 2014	June 30, 2013	Change
Limited obligation bonds payable	1,055,000	1,300,000	-19%
Obligations under capital leases	205,201	252,203	-19%
Qualified school construction bonds payable	1,950,000	1,950,000	0%
Compensated absences payable	100,303	115,748	-13%
Deferred charges on refunding debt	18,667	(2,714)	-788%
<b>Total</b>	<b>\$ 3,329,171</b>	<b>\$ 3,615,237</b>	<b>-8%</b>

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

**CURRENT ISSUES**

The North Panola School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## FINANCIAL STATEMENTS

**NORTH PANOLA SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2014**

**Exhibit A**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,270,563
Restricted assets	345,414
Investments	5,002
Due from other governments	607,030
Inventories	17,678
Capital assets, non-depreciable:	
Land	139,509
Capital assets, net of accumulated depreciation:	
Buildings	3,027,318
Building improvements	3,487,146
Improvements other than buildings	71,477
Mobile equipment	402,924
Furniture and equipment	72,174
Leased property under capital leases	246,594
Total Assets	12,692,829
 <b>Deferred Outflows of Resources</b>	
Loss on bond refunding	20,832
Total deferred outflows of resources	20,832
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	101,847
Interest payable on long-term liabilities	77,114
Long-term liabilities, due within one year:	
Capital related liabilities	432,662
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,796,206
Non-capital related liabilities	100,303
Total Liabilities	3,508,132
 <b>Net Position</b>	
Net investment in capital assets	4,239,106
Restricted for:	
Expendable:	
School- based activities	543,960
Debt service	659,327
Unemployment benefits	45,720
Unrestricted	3,717,416
Total Net Position	\$ 9,205,529

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

**NORTH PANOLA SCHOOL DISTRICT**

**Statement of Activities**  
**June 30, 2014**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 8,403,147	\$ 254,725	\$ 1,816,639	\$ -	\$ (6,331,783)
Support services	5,814,342	-	1,355,089	-	(4,459,253)
Non-instructional services	1,097,666	30,598	634,434	-	(432,634)
Interest on long-term liabilities	222,907	-	-	-	(222,907)
Total Governmental Activities	\$ 15,538,062	\$ 285,323	\$ 3,806,162	\$ -	(11,446,577)
General Revenues:					
Taxes:					
General purpose levies					3,120,995
Debt purpose levies					263,239
Unrestricted grants and contributions:					
State					7,913,999
Federal					57,488
Unrestricted investment earnings					16,083
Other					416,250
Total General Revenues					11,788,054
Change in Net Position					341,477
Net Position - Beginning					8,864,052
Net Position - Ending					\$ 9,205,529

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

NORTH PANOLA SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHA, Part B Grant Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 3,419,821	\$ -	\$ -	\$ 850,742	\$ 4,270,563
Cash with fiscal agents	-	-	-	345,414	345,414
Investments	-	-	-	5,002	5,002
Due from other governments	131,616	191,651	46,089	237,671	607,027
Due from other funds	311,462	-	-	-	311,462
Inventories	-	-	-	17,678	17,678
Total assets	<u>\$ 3,862,899</u>	<u>\$ 191,651</u>	<u>\$ 46,089</u>	<u>\$ 1,456,507</u>	<u>\$ 5,557,146</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 45,180	\$ 65	\$ 247	\$ 56,352	\$ 101,844
Due to other funds	-	191,586	45,842	74,034	311,462
Total Liabilities	<u>45,180</u>	<u>191,651</u>	<u>46,089</u>	<u>130,386</u>	<u>413,306</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	17,678	17,678
<b>Restricted:</b>					
Debt service	-	-	-	736,441	736,441
Special revenues	-	-	-	34,248	34,248
Unemployment benefits	-	-	-	45,720	45,720
Food service	-	-	-	492,034	492,034
<b>Assigned</b>					
Activity funds	39,785	-	-	-	39,785
<b>Unassigned</b>					
	<u>3,777,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,777,934</u>
Total Fund Balances	<u>3,817,719</u>	<u>-</u>	<u>-</u>	<u>1,326,121</u>	<u>5,143,840</u>
Total Liabilities and Fund Balances	<u>\$ 3,862,899</u>	<u>\$ 191,651</u>	<u>\$ 46,089</u>	<u>\$ 1,456,507</u>	<u>\$ 5,557,146</u>

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

**NORTH PANOLA SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 5,143,840

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

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

Land	139,509	
Buildings	7,700,637	
Building improvements	4,628,006	
Improvements other than buildings	109,015	
Mobile equipment	1,672,572	
Furniture and equipment	722,179	
Leased property under capital leases	300,724	
Accumulated depreciation	<u>(7,825,500)</u>	7,447,142

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

Limited obligation bonds	(1,055,000)	
Obligations under capital leases	(205,201)	
Qualified construction bonds	(1,950,000)	
Compensated absences	(100,303)	
Unamortized premiums	(18,667)	
Loss on bond refunding	20,832	
Accrued interest payable	<u>(77,114)</u>	<u>(3,385,453)</u>

**Net position of governmental activities** \$ 9,205,529

NORTH PANOLA SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2014

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHA, Part B Grant Fund		
<b>Revenues:</b>					
Local sources	\$ 3,602,187	\$ 1,132	\$ -	\$ 334,582	\$ 3,937,901
State sources	7,277,248	-	4,509	1,129,827	8,411,584
Federal sources	127,649	1,201,677	377,218	1,659,521	3,366,065
Total Revenues	<u>11,007,084</u>	<u>1,202,809</u>	<u>381,727</u>	<u>3,123,930</u>	<u>15,715,550</u>
<b>Expenditures:</b>					
Instruction	6,452,970	684,981	128,124	925,685	8,191,760
Support services	4,557,466	260,178	253,603	644,103	5,715,350
Noninstructional services	-	96,829	-	991,692	1,088,521
Facilities acquisition and construction	172,453	-	-	-	172,453
Debt service:					
Principal	-	-	-	292,002	292,002
Interest	-	-	-	166,537	166,537
Total Expenditures	<u>11,182,889</u>	<u>1,041,988</u>	<u>381,727</u>	<u>3,020,019</u>	<u>15,626,623</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(175,805)</u>	<u>160,821</u>	<u>-</u>	<u>103,911</u>	<u>88,927</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	162,829	-	-	-	162,829
Operating transfers in	78,849	-	-	189,064	267,913
Other financing sources	1,160	-	-	-	1,160
Operating transfers out	(10,000)	(160,821)	-	(97,092)	(267,913)
Total Other Financing Sources (Uses)	<u>232,838</u>	<u>(160,821)</u>	<u>-</u>	<u>91,972</u>	<u>163,989</u>
Net Change in Fund Balances	57,033	-	-	195,883	252,916
Fund Balances:					
July 1, 2013	3,760,686	-	-	1,132,678	4,893,364
Increase (decrease) in reserve for inventory	-	-	-	(2,440)	(2,440)
June 30, 2014	<u>\$ 3,817,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,326,121</u>	<u>\$ 5,143,840</u>

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

**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, 2014**

Exhibit D-1

<b>Net change in fund balances - total governmental funds</b>	\$	252,916
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay		218,155
Depreciation expense		(378,046)
2. 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 position differs from the change in fund balance by the cost of the assets sold.		
		(185)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal		292,002
Accrued interest payable		2,176
Deferred charges on refunding		4,730
4. 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 governmental funds. These activities include:		
Change in compensated absences		15,445
Change in inventory reserve		(2,440)
Amortization of deferred charges, premiums and discounts		(63,276)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>341,477</u></b>

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

**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities  
June 30, 2014****Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 520,752
Total Assets	<u>\$ 520,752</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 506,052
Due to student clubs	<u>14,700</u>
Total Liabilities	<u>\$ 520,752</u>

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

## NORTH PANOLA SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2014

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

#### 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 are 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 consist 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.

## NORTH PANOLA SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2014

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

The school district reports the following major governmental funds:

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

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

Education of the Handicapped Act, Part B Fund – This fund is used to account for the proceeds of Education of the Handicapped Act, Part B grant funds from the federal government that are programmatically and legally restricted to expenditures for specified purposes.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

#### FIDUCIARY FUNDS

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

#### 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.

## NORTH PANOLA SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2014

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

## NORTH PANOLA SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2014

#### 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.

###### Investments

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

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

Investments for the district are reported at fair market value.

##### 2. Receivables and payables

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

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

##### 3. Due from Other Governments

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

##### 4. Inventories and Prepaid Items

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

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

**NORTH PANOLA SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2014**

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 School Construction Bond sinking funds.

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.

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

The following schedule details the capitalization thresholds:

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

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

7. 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

## NORTH PANOLA SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2014

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

#### 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, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

#### 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. 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.

## NORTH PANOLA SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2014

*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.

*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 Conservator, Superintendent and Business Manager pursuant to authorization established by the school district.

*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.

#### **F. Changes in Accounting Standards**

The school district adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year changing the method of accounting for items previously reported as assets and liabilities on the Statement of Net Position. This pronouncement allowed the school district to expense out Bond Issue Costs that were being amortized over the life of the corresponding bonds. The current year effect of this change was a write off of \$57,997 in bond issue cost.

#### **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.

**NORTH PANOLA SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2014**

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

**Cash and Cash Equivalent**s

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,270,563 and \$520,752, 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. 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. 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 \$345,414.

**Investments**

As of June 30, 2014, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Money Market Mutual Funds	AAAm	less than 1	\$ 5,002

*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.

**NORTH PANOLA SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2014**

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 191,586
	EHA, Part B	45,842
	Other governmental funds	<u>74,034</u>
Total		<u>\$ 311,462</u>

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

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 78,849
	General fund	10,000
Other governmental funds	Title I funds	160,821
	Other governmental funds	<u>18,243</u>
Total		<u>\$ 267,913</u>

The principal purpose of inter-fund transfers was for indirect cost or to provide funds for daily operations. All transfers were consistent with the activities of the fund making the transfer.

**Note 4 – Restricted Assets**

In addition, the restricted assets represent the cash balance, totaling \$345,414 of the QSCB Bond Retirement Fund.

**NORTH PANOLA SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**Note 5 – Capital Assets**

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

<b>Governmental Activities:</b>	<b>Balance</b>			<b>Balance</b>
	<b>7/1/2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>6/30/2014</b>
<u>Non-depreciable capital assets:</u>				
Land	\$ 139,509	\$ -	\$ -	\$ 139,509
Total non-depreciable capital assets	<u>139,509</u>	<u>-</u>	<u>-</u>	<u>139,509</u>
<u>Depreciable capital assets:</u>				
Buildings	7,700,637	-	-	7,700,637
Building improvements	4,462,145	165,861	-	4,628,006
Improvements other than buildings	73,498	35,517	-	109,015
Mobile equipment	1,672,572	-	-	1,672,572
Furniture and equipment	723,938	16,777	18,536	722,179
Leased property under capital leases	300,724	-	-	300,724
Total depreciable capital assets	<u>14,933,514</u>	<u>218,155</u>	<u>18,536</u>	<u>15,133,133</u>
<u>Less accumulated depreciation for:</u>				
Buildings	4,616,978	56,341	-	4,673,319
Building improvements	955,740	185,120	-	1,140,860
Improvements other than buildings	34,227	3,311	-	37,538
Mobile equipment	1,194,723	74,925	-	1,269,648
Furniture and equipment	637,072	31,284	18,351	650,005
Leased property under capital leases	27,065	27,065	-	54,130
Total accumulated depreciation	<u>7,465,805</u>	<u>378,046</u>	<u>18,351</u>	<u>7,825,500</u>
Total depreciable capital assets, net	<u>7,467,709</u>	<u>(159,891)</u>	<u>185</u>	<u>7,307,633</u>
Governmental activities capital assets, net	<u>\$ 7,607,218</u>	<u>\$ (159,891)</u>	<u>\$ 185</u>	<u>\$ 7,447,142</u>

Depreciation expense was charged to the following governmental functions:

	<b>Amount</b>
Governmental activities:	
Instruction	\$ 267,251
Support services	98,996
Non-instructional	<u>11,799</u>
Total Depreciation Expense	<u>\$ 378,046</u>

**NORTH PANOLA SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**Note 6 – Long-term Liabilities**

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

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Amounts due within one year</u>
A. Limited obligation bonds payable	\$ 1,300,000	\$ -	\$ 245,000	\$ 1,055,000	\$ 250,000
B. Obligations under capital leases	252,203	-	47,002	205,201	48,662
C. Qualified school construction bonds payable	1,950,000	-	-	1,950,000	134,000
E. Compensated absences payable	115,748	-	15,445	100,303	-
F. Deferred loss on bond refunding	(26,113)	-	(5,281)	(20,832)	-
G. Premium on bond refunding	23,399	-	4,732	18,667	-
Total	<u>\$ 3,615,237</u>	<u>\$ -</u>	<u>\$ 306,898</u>	<u>\$ 3,308,339</u>	<u>\$ 432,662</u>

**A. Limited obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement Bonds Series 2009	3.00-3.125%	6/10/2009	2/1/2018	<u>\$ 2,175,000</u>	<u>\$ 1,055,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	250,000	31,994	281,994
2016	260,000	24,494	284,494
2017	270,000	16,694	286,694
2018	275,000	71,161	346,161
Total	<u>\$ 1,055,000</u>	<u>\$ 144,343</u>	<u>\$ 1,199,343</u>

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

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

**NORTH PANOLA SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**B. Obligations under capital leases**

The School district has entered into a lease agreement as lessee for financing the acquisition of four school buses at a cost of \$300,724. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital Lease - Buses	3.50%	7/15/2012	4/10/2018	\$ 300,724	\$ 205,201

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 48,662	\$ 6,760	\$ 55,422
2016	50,380	5,042	55,422
2017	52,159	3,263	55,422
2018	54,000	1,422	55,422
Total	\$ 205,201	\$ 16,487	\$ 221,688

This debt will be retired from the Special Revenue EEF – Buildings and Buses.

**C. Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Construction Bonds Series 2010	6.00%	12/7/2010	12/1/2025	\$ 1,950,000	\$ 1,950,000

The Qualified School Construction Bond was issued at an interest rate of 6.00% with anticipated refundable credit payments for the amount of interest cost from the Internal Revenue Service. It is possible the Internal Revenue Service may determine some reason not to reimburse some or all of the interest cost of the bond. The School District is responsible for the full amount of the interest payment in any event. The School District did receive the refundable credit payment in fiscal year 2014 in the amount of \$102,765.

**D. Compensated absences payable**

As more fully explained in Note 1(E)(6), 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.

## **NORTH PANOLA SCHOOL DISTRICT**

### **Notes to the Financial Statements For the Year Ended June 30, 2014**

#### **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 for fiscal year ended June 30, 2014 was 15.75% 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, 2014, 2013 and 2012 were \$1,292,925, \$1,229,327 and \$1,110,511, respectively, which equaled the required contributions for each year.

#### **Note 8 – Contingencies**

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

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

#### **Note 9 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

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

**NORTH PANOLA SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the Year Ended June 30, 2014**

**Note 10 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$345,414. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2015	\$ 134,000
2016	134,000
2017	134,000
2018	134,000
2019	134,000
2010-2024	670,000
2025	134,000
Total	<u>\$ 1,474,000</u>

**Note 11 – Alternative School Consortium**

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

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

## **NORTH PANOLA SCHOOL DISTRICT**

### **Notes to the Financial Statements For the Year Ended June 30, 2014**

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

#### **Note 12 - 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 North Panola School District evaluated the activity of the district through October 26, 2016, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**NORTH PANOLA SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>	
				<b>Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>(GAAP Basis)</b>	<b>Original to Final</b>	<b>Final to Actual</b>
<b>Revenues:</b>					
Local sources	\$ 3,418,733	\$ 3,602,187	\$ 3,602,187	\$ 183,454	\$ -
State sources	7,077,717	7,277,247	7,277,248	199,530	1
Federal sources	97,674	127,649	127,649	29,975	-
Total Revenues	<u>10,594,124</u>	<u>11,007,083</u>	<u>11,007,084</u>	<u>412,959</u>	<u>1</u>
<b>Expenditures:</b>					
Instruction	6,481,594	6,452,967	6,452,970	28,627	(3)
Support services	4,665,557	4,557,470	4,557,466	108,087	4
Facilities acquisition and construction	166,500	172,453	172,453	(5,953)	-
Debt service	-	-	-	-	-
Total Expenditures	<u>11,313,651</u>	<u>11,182,890</u>	<u>11,182,889</u>	<u>130,761</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(719,527)</u>	<u>(175,807)</u>	<u>(175,805)</u>	<u>543,720</u>	<u>2</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	162,829	162,829	162,829	-
Operating transfers in	57,327	78,849	78,849	21,522	-
Other Financing Sources	-	1,160	1,160	1,160	-
Operating transfers out	<u>(37,800)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>27,800</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>19,527</u>	<u>232,838</u>	<u>232,838</u>	<u>213,311</u>	<u>-</u>
Net Change in Fund Balances	<u>(700,000)</u>	<u>57,031</u>	<u>57,033</u>	<u>757,031</u>	<u>2</u>
<b>Fund Balances:</b>					
July 1, 2013	<u>3,245,487</u>	<u>3,760,686</u>	<u>3,760,686</u>	<u>515,199</u>	<u>-</u>
June 30, 2014	<u>\$ 2,545,487</u>	<u>\$ 3,817,717</u>	<u>\$ 3,817,719</u>	<u>\$ 1,272,230</u>	<u>\$ 2</u>

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

**NORTH PANOLA SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>	
				<b>Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>(GAAP Basis)</b>	<b>Original to Final</b>	<b>Final to Actual</b>
<b>Revenues:</b>					
Local sources	\$ -	\$ 1,132	\$ 1,132	\$ 1,132	\$ -
State sources	-	-	-	-	-
Federal sources	1,170,371	1,201,676	1,201,677	31,305	1
Total Revenues	1,170,371	1,202,808	1,202,809	32,437	1
<b>Expenditures:</b>					
Instruction	666,253	684,983	684,981	(18,730)	2
Support services	221,866	260,176	260,178	(38,310)	(2)
Noninstructional services	92,252	96,829	96,829	(4,577)	-
Total Expenditures	980,371	1,041,988	1,041,988	(61,617)	-
Excess (Deficiency) of Revenues Over Expenditures	190,000	160,820	160,821	(29,180)	1
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(190,000)	(160,820)	(160,821)	29,180	(1)
Total Other Financing Sources (Uses)	(190,000)	(160,820)	(160,821)	29,180	(1)
Net Change in Fund Balances	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

**NORTH PANOLA SCHOOL DISTRICT**  
**Required Supplementary Information**

Budgetary Comparison Schedule  
EHA, Part B Grant Fund  
For the Year Ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>	
				<b>Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>(GAAP Basis)</b>	<b>Original to Final</b>	<b>Final to Actual</b>
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	4,509	4,509	4,509	-
Federal sources	\$ 374,185	\$ 377,218	\$ 377,218	\$ 3,033	\$ -
Total Revenues	<u>374,185</u>	<u>381,727</u>	<u>381,727</u>	<u>7,542</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	145,722	128,125	128,124	17,597	1
Support services	228,463	253,602	253,603	(25,139)	(1)
Noninstructional services	-	-	-	-	-
Total Expenditures	<u>374,185</u>	<u>381,727</u>	<u>381,727</u>	<u>(7,542)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NORTH PANOLA SCHOOL DISTRICT**

**Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

## **SUPPLEMENTARY INFORMATION**

**NORTH PANOLA SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 327,654
National school lunch program	10.555	722,017
Summer food service program for children	10.559	31,638
Total child nutrition cluster		<u>1,081,309</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,081,309</u>
<b><u>U. S. Department of Defense</u></b>		
Direct program:		
ROTC Language and Culture Training Grants	12.357	69,424
<b>Total U.S. Department of Defense</b>		<u>69,424</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	66,781
<b>Total Federal Communications Commission</b>		<u>66,781</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states		
Rural education	84.048	23,247
Improving teacher quality state grants	84.358	24,413
Subtotal	84.367	<u>157,706</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,222,163
Total Title I cluster		<u>1,222,163</u>
School improvement grant cluster:		
School improvement grants, Recovery Act	84.388	235,968
Total school improvement grant cluster		<u>235,968</u>
Special education cluster:		
Special education-grants to states	84.027	377,218
Special education - preschool grants	84.173	14,352
Total special education cluster		<u>391,570</u>
Total passed-through Mississippi Department of Education		<u>2,055,067</u>
<b>Total U.S. Department of Education</b>		<u>2,055,067</u>
Total for All Federal Awards		<u>\$ 3,272,581</u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NORTH PANOLA SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2014**

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other</b>			
		<b>Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 11,446,395	\$ 8,276,098	\$ 619,176	\$ 839,870	\$ 1,711,251
Other	4,180,228	1,313,867	371,577	3,577	2,491,207
<b>Total</b>	<b>\$ 15,626,623</b>	<b>\$ 9,589,965</b>	<b>\$ 990,753</b>	<b>\$ 843,447</b>	<b>\$ 4,202,458</b>
Total number of students*	<u>1,451</u>				
Cost per student	<u>\$ 10,770</u>	<u>\$ 6,609</u>	<u>\$ 683</u>	<u>\$ 581</u>	<u>\$ 2,896</u>

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

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

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

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

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

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

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**OTHER INFORMATION**

**NORTH PANOLA SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	<u>2014</u>	<u>2013*</u>	<u>2012*</u>	<u>2011*</u>
<b>Revenues:</b>				
Local sources	\$ 3,602,187	\$ 3,448,665	\$ 3,246,839	\$ 3,051,961
State sources	7,277,248	7,304,753	7,438,930	6,911,382
Federal sources	127,649	86,742	110,403	76,441
Total Revenues	<u>11,007,084</u>	<u>10,840,160</u>	<u>10,796,172</u>	<u>10,039,784</u>
<b>Expenditures:</b>				
Instruction	6,452,970	6,542,136	6,139,476	6,256,074
Support services	4,557,466	4,262,586	4,357,500	4,430,134
Facilities acquisition and construction	172,453	224,317	118,606	-
Total Expenditures	<u>11,182,889</u>	<u>11,029,039</u>	<u>10,615,582</u>	<u>10,686,208</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(175,805)</u>	<u>(188,879)</u>	<u>180,590</u>	<u>(646,424)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	162,829	-	159,409	56,420
Operating transfers in	78,849	65,168	78,768	47,123
Other financing sources	1,160	68,522	0	0
Operating transfers out	<u>(10,000)</u>	<u>(12,000)</u>	<u>(16,399)</u>	<u>(277,731)</u>
Total Other Financing Sources (Uses)	<u>232,838</u>	<u>121,690</u>	<u>221,778</u>	<u>(174,188)</u>
Net Change in Fund Balances	<u>57,033</u>	<u>(67,189)</u>	<u>402,368</u>	<u>(820,612)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	3,760,686	3,827,243	3,424,875	4,245,487
Prior period adjustment(s)	-	632	-	-
Beginning of period, as restated	<u>3,760,686</u>	<u>3,827,875</u>	<u>3,424,875</u>	<u>4,245,487</u>
End of Period	<u>\$ 3,817,719</u>	<u>\$ 3,760,686</u>	<u>\$ 3,827,243</u>	<u>\$ 3,424,875</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NORTH PANOLA SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 3,937,901	\$ 3,904,235	\$ 3,856,532	\$ 3,367,745
State sources	8,411,584	8,476,482	8,566,052	8,189,149
Federal sources	3,366,065	4,020,057	5,745,151	5,441,318
Total Revenues	<u>15,715,550</u>	<u>16,400,774</u>	<u>18,167,735</u>	<u>16,998,212</u>
<b>Expenditures:</b>				
Instruction	8,191,760	8,762,345	9,417,686	9,695,791
Support services	5,715,350	6,066,618	6,050,986	6,053,718
Noninstructional services	1,088,521	1,139,421	1,239,731	1,164,526
Facilities acquisition and construction	172,453	643,458	2,317,189	594,657
Debt service:				
Principal	292,002	728,521	455,000	468,753
Interest	166,537	172,728	173,009	74,153
Advance refunding escrow	-	-	-	-
Other	-	0	2,700	23,517
Total Expenditures	<u>15,626,623</u>	<u>17,513,091</u>	<u>19,656,301</u>	<u>18,075,115</u>
Excess (Deficiency) of Revenues over Expenditures	<u>88,927</u>	<u>(1,112,317)</u>	<u>(1,488,566)</u>	<u>(1,076,903)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	440,000	-	1,950,000
Capital leases issued	-	300,724	-	-
Insurance loss recoveries	162,829	-	159,409	214,325
Payment to escrow agents	-	-	-	-
Operating transfers in	267,913	127,798	111,222	328,185
Other financing sources	1,160	68,522	-	-
Operating transfers out	<u>(267,913)</u>	<u>(127,798)</u>	<u>(111,222)</u>	<u>(328,185)</u>
Total Other Financing Sources (Uses)	<u>163,989</u>	<u>809,246</u>	<u>159,409</u>	<u>2,164,325</u>
Net Change in Fund Balances	<u>252,916</u>	<u>(303,071)</u>	<u>(1,329,157)</u>	<u>1,087,422</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,893,364	5,194,551	6,451,452	5,357,945
Prior period adjustment(s)	-	468	71,157	-
Beginning of period, as restated	<u>4,893,364</u>	<u>5,195,019</u>	<u>6,522,609</u>	<u>5,357,945</u>
Increase (Decrease) in reserve for inventory	<u>(2,440)</u>	<u>1,416</u>	<u>1,099</u>	<u>6,085</u>
End of period	<u>\$5,143,840</u>	<u>\$ 4,893,364</u>	<u>\$ 5,194,551</u>	<u>\$ 6,451,452</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**

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

Superintendent and School Board  
North Panola School District  
Sardis, Mississippi

We 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 the North Panola School District as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the North Panola School District's basic financial statements, and have issued our report thereon dated October 26, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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



### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
October 26, 2016





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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Superintendent and School Board  
North Panola School District  
Sardis, Mississippi

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

We have audited North 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 the school district's major federal programs for the year ended June 30, 2014. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **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**

Our responsibility is to express an opinion on compliance for each of North Panola School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

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

In our opinion, the North 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, 2014.

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

Management of North 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 our audit



of compliance, we considered North Panola School District's internal control over compliance with the types of requirements that could have a direct and material effect 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, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
October 26, 2016



**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  
North Panola School District  
Sardis, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2014, which collectively comprise the North Panola School District's basic financial statements and have issued our report thereon dated October 26, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
October 26, 2016



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**NORTH PANOLA SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |  |                      |
|--|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs:                 | <u>Unmodified</u>    |
| 5. Internal control over major programs:   |                      |
| a. Material weakness (es) identified?  | <u>No</u>            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>None Reported</u> |
| 6. Any audit finding(s) reported as required by section ____ .510(a) of Circular A-133?      | <u>No</u>            |
| 7. Federal programs identified as major programs:  |                      |
| a. Title I – grants to local education agencies<br>CFDA#84.010                               |                      |
| b. Child nutrition cluster<br>CFDA #10.553<br>CFDA #10.555<br>CFDA #10.559                   |                      |

**NORTH PANOLA SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

8. The dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
9. Auditee qualified as a low-risk auditee?	<u>No</u>
10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133?	<u>No</u>

Section II: Findings Related to the Financial Statements

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by Government Auditing Standards.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency

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

**NORTH PANOLA SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

8. The dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
9. Auditee qualified as a low-risk auditee?	<u>No</u>
10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133?	<u>Yes</u>

Section II: Findings Related to the Financial Statements

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by Government Auditing Standards.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency

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

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**SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS**



# NORTH PANOLA SCHOOL DISTRICT

Central Office

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Sardis, MS 38666

Phone: (662) 487-2305

Fax: (662) 487-2050

**Cedric Richardson, Superintendent**

*"Providing a Quality Education for All Students"*

## SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the North Panola School District has prepared and hereby submits the following summary schedule of prior year audit findings as of October 26, 2016:

<u>Finding</u>	<u>Status</u>
2013-001	The district performs a reconciliation of enrollment numbers on the MSIS report and the report used for the Title I Demographics page.

Sincerely,

Cedric Richardson, Superintendent  
North Panola School District