



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

SOUTH PANOLA SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

Kimberly T. May, CPA, PLLC
Madison, MS

This page left blank intentionally.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS.....	13
Government-wide Financial Statements	
Exhibit A Statement of Net Position.....	15
Exhibit B Statement of Activities.....	16
Governmental Funds Financial Statements	
Exhibit C Balance Sheet – Governmental Funds.....	17
Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	20
Fiduciary Funds Financial Statements	
Exhibit E Statement of Fiduciary Assets and Liabilities	21
Notes to the Financial Statements.....	23
REQUIRED SUPPLEMENTARY INFORMATION.....	37
Budgetary Comparison Schedule for the General Fund.....	39
Budgetary Comparison Schedule for the Major Special Revenue Fund – Title I Fund.....	40
Budgetary Comparison Schedule for the Major Special Revenue Fund – IDEA Part B Fund.....	41
Notes to the Required Supplementary Information.....	42
SUPPLEMENTARY INFORMATION.....	43
Schedule of Expenditures of Federal Awards.....	45
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	47
OTHER INFORMATION.....	49
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	51
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	52
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	53
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ...	55
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance.....	57
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	63

This page left blank intentionally.

INDEPENDENT AUDITOR'S REPORT

This page left blank intentionally.

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
South Panola School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Panola School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the South Panola School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Panola School District, as of June 30, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Panola School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 1, 2014, on my consideration of the South Panola School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Panola School District's internal control over financial reporting and compliance.

Kimberly J. May, CPA, PLLC

Madison, MS
December 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

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

The following discussion and analysis of South Panola School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$862,107, including a prior period adjustment of (\$32,233), which represents a 4% increase from fiscal year 2013. Total net position for 2013 increased \$3,012,403, including a prior period adjustment of \$127,847, which represents a 15% increase from fiscal year 2012.
- General revenues amounted to \$32,734,460 and \$33,832,008, or 82% and 83% 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 \$7,136,691, or 18% of total revenues for 2014, and \$7,027,265, or 17% of total revenues for 2013.
- The District had \$38,976,811 and \$37,974,717 in expenses for fiscal years 2014 and 2013; only \$7,136,691 for 2014 and \$7,027,265 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$32,734,460 for 2014 and \$33,832,008 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$31,058,094 in revenues and \$30,266,881 in expenditures for 2014, and \$30,204,991 in revenues and \$29,422,526 in expenditures in 2013. The General Fund's fund balance increased by \$125,098 from 2013 to 2014, and increased by \$206,707 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$294,121 for 2014 and decreased by \$203,457 for 2013. The increase for 2014 was due to the addition/disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$539,641 for 2014 and decreased by \$1,285,594 for 2013. This increase for 2014 was due primarily to the issuance of limited tax notes. The liability for compensated absences decreased by \$7,039 for 2014 and increased by \$3,964 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 supplementary information, supplementary information, and other information.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$22,908,324 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

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 9,614,518	\$ 9,650,811	(0.38) %
Restricted assets	4,162,296	3,078,754	35.19 %
Capital assets, net	19,342,456	19,048,335	1.54 %
Total assets	33,119,270	31,777,900	4.22 %
Deferred outflows of resources	0	0	0.00 %
Current liabilities	949,443	929,719	2.12 %
Long-term debt outstanding	9,261,503	8,721,862	6.19 %
Total liabilities	10,210,946	9,651,581	5.80 %
Deferred inflows of resources	0	80,102	(100.00) %
Net position:			
Net investment in capital assets	10,503,484	11,589,363	(9.37) %
Restricted	3,871,400	2,642,623	46.50 %
Unrestricted	8,533,440	7,814,231	9.20 %
Total net position	\$ 22,908,324	\$ 22,046,217	3.91 %

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

- Increase in net capital assets in the amount of \$294,121.
- The principal retirement of \$2,033,320 of long-term debt.
- The addition of \$2,580,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$39,871,151 and \$40,859,273, respectively. The total cost of all programs and services was \$38,976,811 for 2014 and \$37,974,717 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</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 815,425	\$ 829,054	(1.64) %
Operating grants and contributions	6,321,266	6,198,211	1.99 %
General revenues:			
Property taxes	10,026,154	12,686,802	(20.97) %
Grants and contributions not restricted	22,463,594	20,909,604	7.43 %
Investment earnings	129,421	120,311	7.57 %
Sixteenth section sources	35,189	35,189	0.00 %
Other	80,102	80,102	0.00 %
Total revenues	39,871,151	40,859,273	(2.42) %
Expenses:			
Instruction	22,578,793	22,436,663	0.63 %
Support services	13,668,280	12,585,070	8.61 %
Non-instructional	2,579,314	2,682,556	(3.85) %
Sixteenth section	2,935	2,850	2.98 %
Interest on long-term liabilities	147,489	267,578	(44.88) %
Total expenses	38,976,811	37,974,717	2.64 %
Increase in net position	894,340	2,884,556	(69.00) %
Net Position, July 1, as previously reported	22,046,217	19,033,814	15.83 %
Prior Period Adjustment	(32,233)	127,847	(125.21) %
Net Position, July 1, as restated	22,013,984	19,161,661	14.89 %
Net Position, June 30	\$ 22,908,324	\$ 22,046,217	3.91 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 22,578,793	\$ 22,436,663	0.63 %
Support services	13,668,280	12,585,070	8.61 %
Non-instructional	2,579,314	2,682,556	(3.85) %
Sixteenth section	2,935	2,850	2.98 %
Interest on long-term liabilities	147,489	267,578	(44.88) %
Total expenses	\$ 38,976,811	\$ 37,974,717	2.64 %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (19,768,812)	\$ (19,820,503)	(0.26) %
Support services	(12,384,981)	(11,066,169)	11.92 %
Non-instructional	464,097	209,648	121.37 %
Sixteenth section	(2,935)	(2,850)	2.98 %
Interest on long-term liabilities	(147,489)	(267,578)	(44.88) %
Total net (expense) revenue	\$ (31,840,120)	\$ (30,947,452)	2.88 %

- Net cost of governmental activities (\$31,840,120 for 2014 and \$30,947,452 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$10,026,154 for 2014 and \$12,686,802 for 2013) and state and federal revenues (\$22,463,594 for 2014 and \$20,909,604 for 2013). In addition, there was \$35,189 and \$35,189 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$129,421 for 2014 and \$120,311 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 \$13,573,730, an increase of \$1,017,358, which includes a prior period adjustment of (\$1,602) and an increase in inventory of \$27,366. \$4,260,673 or 31% 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 \$9,313,057 or 69% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$125,098. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,051,252, which includes a prior period adjustment of (\$1,602) and an increase in reserve for inventory of \$27,366. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	\$ No Increase (Decrease)
Idea Part B Fund	No Increase (Decrease)
Capital Projects Fund	(246,248)
QZAB Retirement Fund	87,256

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$32,744,347, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$803,373 from 2013. Total accumulated depreciation as of June 30, 2014, was \$13,401,891, and total depreciation expense for the year was \$870,842, resulting in total net capital assets of \$19,342,456.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 723,090	\$ 723,090	0.00 %
Buildings	15,727,718	16,178,805	(2.79) %
Building improvements	355,324	382,624	(7.13) %
Improvements other than buildings	105,207	111,579	(5.71) %
Mobile equipment	2,323,888	1,516,150	53.28 %
Furniture and equipment	107,229	136,087	(21.21) %
Total	\$ 19,342,456	\$ 19,048,335	1.54 %

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

Debt Administration. At June 30, 2014, the District had \$9,261,503 in outstanding long-term debt, of which \$3,020,099 is due within one year. The liability for compensated absences decreased \$7,039 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	2,550,000	3,155,000	(19.18) %
Limited obligation refunding bonds payable	2,510,000	3,105,000	(19.16) %
Three mill notes payable	2,580,000	780,000	230.77 %
Shortfall notes payable	0	53,320	(100.00) %
Qualified zone academy bonds payable	1,198,972	1,198,972	0.00 %
Compensated absences payable	422,531	429,570	(1.64) %
Total	\$ 9,261,503	\$ 8,721,862	6.19 %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

South Panola School District
Statement of Net Position
June 30, 2014

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 8,597,057
Due from other governments	964,334
Inventories	53,127
Restricted assets (Note 4)	4,162,296
Non-depreciable capital assets (Note 5)	723,090
Depreciable capital assets, net (Note 5)	18,619,366
Total Assets	<u>33,119,270</u>
Liabilities	
Accounts payable and accrued liabilities	203,084
Interest payable on long-term liabilities	746,359
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	2,998,972
Non-capital related liabilities	21,127
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	5,840,000
Non-capital related liabilities	401,404
Total Liabilities	<u>10,210,946</u>
Net Position	
Net investment in capital assets	10,503,484
Restricted net position	
Expendable	
School-based activities	1,079,939
Debt service	2,336,216
Capital Projects	320,516
Forestry improvements	20,114
Unemployment benefits	81,000
Non-expendable	
Sixteenth section	33,615
Unrestricted	<u>8,533,440</u>
Total Net Position	<u>\$ 22,908,324</u>

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

South Panola School District
Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 22,578,793	431,153	2,378,828	(19,768,812)
Support services	13,668,280	32,434	1,250,865	(12,384,981)
Non-instructional	2,579,314	351,838	2,691,573	464,097
Sixteenth section	2,935			(2,935)
Interest on long-term liabilities	147,489			(147,489)
Total Governmental Activities	38,976,811	815,425	6,321,266	(31,840,120)
General Revenues				
Taxes				
				8,947,692
General purpose levies				1,078,462
Debt purpose levies				
Unrestricted grants and contributions				
Local				1,558,145
State				20,680,139
Federal				225,310
Unrestricted investment earnings				129,421
Sixteenth section sources				35,189
Other				80,102
Total General Revenues				32,734,460
Changes in Net Position				
				894,340
Net Position - Beginning, as previously reported				
				22,046,217
Prior Period Adjustments (Note 9)				
				(32,233)
Net Position - Beginning - as restated				
				22,013,984
Net Position - Ending				
				\$ 22,908,324

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

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Retirement Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents (Note 2)	\$ 4,016,853			4,542,118		2,160,027	10,718,998
Cash with fiscal agent (Note 2)					1,800		1,800
Investments (Note 2)					1,999,940		2,038,555
Due from other governments	323,158	165,081	50,336			38,615	964,334
Due from other funds (Note 3)	276,926					425,759	276,926
Inventories						53,127	53,127
Total Assets	4,616,937	165,081	50,336	4,542,118	2,001,740	2,677,528	14,053,740
Liabilities and Fund Balances							
Liabilities							
Accounts payable & accrued liabilities	203,084						203,084
Due to other funds (Note 3)		165,081	50,336			61,509	276,926
Total Liabilities	203,084	165,081	50,336	0	0	61,509	480,010
Fund Balances							
Nonspendable							
Inventory						53,127	53,127
Permanent fund principal						33,615	33,615
Restricted							
Debt service					2,001,740	1,080,835	3,082,575
Forestry improvements						20,114	20,114
Unemployment benefits						81,000	81,000
Grant activities						1,026,812	1,026,812
Capital projects						320,516	320,516
Assigned							
Facility Improvements				4,542,118			4,542,118
School Activities	153,180						153,180
Unassigned	4,260,673						4,260,673
Total Fund Balances	4,413,853	0	0	4,542,118	2,001,740	2,616,019	13,573,730
Total Liabilities and Fund Balances	\$ 4,616,937	165,081	50,336	4,542,118	2,001,740	2,677,528	14,053,740

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

South Panola School District
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2014

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds

\$ 13,573,730

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

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

Land	723,090	
Buildings	25,561,783	
Building improvements	682,504	
Improvement other than buildings	239,266	
Mobile equipment	4,385,114	
Furniture and equipment	1,152,590	
Accumulated depreciation	<u>(13,401,891)</u>	19,342,456

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

General obligation bonds	(2,550,000)	
Limited obligation refunding bonds	(2,510,000)	
Three mill ten year notes	(2,580,000)	
Qualified zone academy bonds	(1,198,972)	
Compensated absences	(422,531)	
Accrued interest payable	<u>(746,359)</u>	<u>(10,007,862)</u>

Total Net Position - Governmental Activities

\$ 22,908,324

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

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

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Retirement Fund	Other Governmental Funds	
Revenues							
Local sources	\$ 10,987,883			16,201	89,573	1,435,488	12,529,145
State sources	19,844,901					1,377,824	21,222,725
Federal sources	225,310	1,575,081	1,002,836			3,200,763	6,003,990
Sixteenth section sources						35,189	35,189
Total Revenues	31,058,094	1,575,081	1,002,836	16,201	89,573	6,049,264	39,791,049
Expenditures							
Instruction	18,879,346	817,842	599,199			1,771,271	22,067,658
Support services	11,387,535	660,685	383,482	262,449		1,830,042	14,524,193
Noninstructional services		78,554				2,519,100	2,597,654
Sixteenth section						2,935	2,935
Debt service							
Principal (Note 6)						2,033,320	2,033,320
Interest						132,156	132,156
Other						25,500	25,500
Total Expenditures	30,266,881	1,557,081	982,681	262,449	0	8,314,324	41,383,416
Excess (Deficiency) of Revenues Over Expenditures	791,213	18,000	20,155	(246,248)	89,573	(2,265,060)	(1,592,367)
Other Financing Sources (Uses)							
Proceeds of loans (Note 6)	21,706					2,580,000	2,580,000
Other financing sources	177,229					865,395	1,042,624
Operating transfers in (Note 3)	(865,050)	(18,000)	(20,155)		(2,317)	(137,102)	(1,042,624)
Operating transfers out (Note 3)						(17,745)	(17,745)
Other financing uses							
Total Other Financing Sources (Uses)	(666,115)	(18,000)	(20,155)	0	(2,317)	3,290,548	2,583,961
Net Change in Fund Balances	125,098	0	0	(246,248)	87,256	1,025,488	991,594
Fund Balances							
July 1, 2013, as previously reported	4,288,755	0	0	4,788,366	1,914,484	1,564,767	12,556,372
Prior period adjustments (Note 9)						(1,602)	(1,602)
July 1, 2013, as restated	4,288,755	0	0	4,788,366	1,914,484	1,563,165	12,554,770
Increase in reserve for inventory						27,366	27,366
June 30, 2014	\$ 4,413,853	0	0	4,542,118	2,001,740	2,616,019	13,573,730

The notes to the financial statements are an integral part of this statement. 19

South Panola School District
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2014

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 991,594

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

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

Capital outlay	1,226,263	
Depreciation expense	<u>(870,842)</u>	355,421

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 asset sold.

(30,669)

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

Bonds and notes issued	(2,580,000)	
Payments of debt principal	2,033,320	
Accrued interest payable	10,167	
Deferred credit of bonds payable	<u>80,102</u>	(456,411)

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

Change in compensated absences	7,039	
Change in inventory reserve	<u>27,366</u>	<u>34,405</u>

Changes in Net Position of Governmental Activities	<u>\$ 894,340</u>
--	-------------------

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

South Panola School District
Statement of Fiduciary Assets and Liabilities
June 30, 2014

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 1,892,636
Investments (Note 2)	<u>34,477</u>
Total Assets	<u><u>1,927,113</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,734,860
Due to student clubs	<u>192,253</u>
Total Liabilities	<u><u>\$ 1,927,113</u></u>

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

This page left blank intentionally.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

The school district reports the following major governmental funds:

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

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

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

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

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

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

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

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

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

The following schedule details the capitalization thresholds:

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

7. Compensated Absences

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

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

8. Long-term Liabilities

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

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$10,752,613 (which includes \$33,615 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$1,927,113 respectively (which includes \$34,477 of certificates of deposit with original maturities beyond three months and reported on the Statement of Fiduciary Assets and Liabilities).

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,800.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Federated US Treasury Cash Reserve	AAAm	Less than 1 year	\$ 5,000
Federal Home Loan Bank	AAA	Less than 1 year	1,999,940
Certificates of Deposit	N/A	Less than 1 year	68,092
Total			<u>\$ 2,073,032</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 165,081
	Major fund - IDEA Part B Fund	50,336
	Other governmental funds	61,509
Total		<u>\$ 276,926</u>

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

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 865,050
Major fund - Title I Fund	General Fund	18,000
Major fund - IDEA Part B Fund	General Fund	20,155
Major fund - QZAB Retirement	General Fund	2,317
Other governmental funds	General Fund	136,757
	Other governmental funds	345
Total		\$ 1,042,624

The transfers out of the General Fund were for the purpose of funding the Vocational Program, Workers' Compensation Fund and other funds in the Other Governmental Funds. The transfer to General Fund from Other governmental was to transfer interest earned and indirect costs. The transfer within the Other Governmental Funds was to fund the summer feeding program.

Note 4 – Restricted Assets

The restricted assets of \$4,162,296 represent the cash, cash with fiscal agent and investment balances of certain funds which are legally restricted and may not be used for purposes that support the district's programs, e.g., debt service funds, 16th section principal fund, child nutrition program and certain other federally or state funded programs.

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Adjustments	Balance 6/30/2014
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 723,090				723,090
Total non-depreciable capital assets	<u>723,090</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>723,090</u>
<u>Depreciable capital assets:</u>					
Buildings	25,561,783				25,561,783
Building improvements	682,504				682,504
Improvements other than buildings	239,266				239,266
Mobile equipment	3,445,937	1,215,303	(292,627)	16,501	4,385,114
Furniture and equipment	1,288,394	10,960	(140,610)	(6,154)	1,152,590
Total depreciable capital assets	<u>31,217,884</u>	<u>1,226,263</u>	<u>(433,237)</u>	<u>10,347</u>	<u>32,021,257</u>
<u>Less accumulated depreciation for:</u>					
Buildings	9,382,978	451,087			9,834,065
Building improvements	299,880	27,300			327,180
Improvements other than buildings	127,687	6,372			134,059
Mobile equipment	1,929,787	347,732	(263,364)	47,071	2,061,226
Furniture and equipment	1,152,307	38,351	(139,204)	(6,093)	1,045,361
Total accumulated depreciation	<u>12,892,639</u>	<u>870,842</u>	<u>(402,568)</u>	<u>40,978</u>	<u>13,401,891</u>
Total depreciable capital assets, net	<u>18,325,245</u>	<u>355,421</u>	<u>(30,669)</u>	<u>(30,631)</u>	<u>18,619,366</u>
Governmental activities capital assets, net	<u>\$ 19,048,335</u>	<u>355,421</u>	<u>(30,669)</u>	<u>(30,631)</u>	<u>19,342,456</u>

Depreciation expense was charged to the following governmental functions:

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

	Amount
Governmental activities:	
Instruction	\$ 511,135
Support services	350,681
Non-instructional	9,026
Total depreciation expense - Governmental activities	\$ 870,842

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation refunding bonds payable	\$ 3,155,000		605,000	2,550,000	615,000
B. Limited obligation refunding bonds payable	3,105,000		595,000	2,510,000	610,000
C. Three mill notes payable	780,000	2,580,000	780,000	2,580,000	575,000
D. Shortfall notes payable	53,320		53,320	0	
E. Qualified zone academy bonds payable	1,198,972			1,198,972	1,198,972
F. Compensated absences payable	429,570		7,039	422,531	21,127
Total	\$ 8,721,862	2,580,000	2,040,359	9,261,503	3,020,099

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, series 2012	2.0	4/17/2012	5/1/2018	\$ 3,745,000	2,550,000

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 615,000	51,000	666,000
2016	630,000	38,700	668,700
2017	645,000	26,100	671,100
2018	660,000	13,200	673,200
Total	\$ 2,550,000	129,000	2,679,000

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 1.2% of property assessments as of October 1, 2013.

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

B. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid improvement refunding bonds, series 2012	2.0	4/30/2012	3/1/2018	\$ 3,475,000	2,510,000

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

Year Ending June 30	Principal	Interest	Total
2015	610,000	50,200	660,200
2016	625,000	38,000	663,000
2017	630,000	25,500	655,500
2018	645,000	12,900	657,900
Total	\$ 2,510,000	126,600	2,636,600

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

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year notes, series 2007	3.85-4.25	8/1/2007	6/1/2017	\$ 1,500,000	0
Three mill ten year notes, series 2013	1.70	7/23/2013	7/23/2018	2,580,000	2,580,000
Total				\$ 4,080,000	2,580,000

The three mill ten year notes, series 2007 were paid in full during the fiscal year. Following is a schedule by years of the total payments due on the three mill ten year notes, series 2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 575,000	43,860	618,860
2016	610,000	34,085	644,085
2017	625,000	23,715	648,715
2018	385,000	13,090	398,090
2019	385,000	6,545	391,545
Total	\$ 2,580,000	121,295	2,701,295

South Panola School District
Notes to the **Financial Statements**
For Year Ended June 30, 2014

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

D. Shortfall notes payable

The shortfall notes, 2011 were paid in full during the fiscal year.

E. Qualified zone academy bonds payable

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

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

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,198,972	801,028	2,000,000

F. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 \$3,203,933, \$2,828,921 and \$2,554,653, respectively, which equaled the required contributions for each year.

Note 8 – Sixteenth Section Lands

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

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

Year Ending June 30	Amount
2015	\$ 35,189
2016	35,189
2017	35,189
Total	<u>\$ 105,567</u>

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. See Exhibit D below	\$ (1,602)
2. Adjustments to capital assets	(30,631)
3.	
Total	<u>\$ (32,233)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
Other Governmental Funds	Correction of a prior year asset	<u>\$ (1,602)</u>

Note 10 – Contingencies

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

South Panola School District
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 12 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Bank of America, has entered into such an arrangement dated August 12, 2004.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 31. The amount on deposit at June 30, 2014 was \$2,001,740. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. During the fiscal year, the district made the final deposit into the sinking fund.

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through December 1, 2014 and determined that the no subsequent events have occurred requiring disclosure in the notes to the financial statements:

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

South Panola School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 11,326,154	11,004,652	10,987,883	(321,502)	(16,769)
State sources	19,727,805	19,844,901	19,844,901	117,096	0
Federal sources	160,000	208,541	225,310	48,541	16,769
Total Revenues	<u>31,213,959</u>	<u>31,058,094</u>	<u>31,058,094</u>	<u>(155,865)</u>	<u>0</u>
Expenditures					
Instruction	19,063,315	18,879,346	18,879,346	183,969	0
Support services	11,852,871	11,387,535	11,387,535	465,336	0
Facilities acquisition and construction	25,000	0	0	25,000	0
Debt service					
Principal	50,000	0	0	50,000	0
Total Expenditures	<u>30,991,186</u>	<u>30,266,881</u>	<u>30,266,881</u>	<u>724,305</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>222,773</u>	<u>791,213</u>	<u>791,213</u>	<u>568,440</u>	<u>0</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	2,000	0	0	(2,000)	0
Other financing sources	5,000	0	21,706	(5,000)	21,706
Operating transfers in	3,270,227	2,718,513	177,229	(551,714)	(2,541,284)
Operating transfers out	(3,500,000)	(3,406,333)	(865,050)	93,667	2,541,283
Total Other Financing Sources (Uses)	<u>(222,773)</u>	<u>(687,820)</u>	<u>(666,115)</u>	<u>(465,047)</u>	<u>21,705</u>
Net Change in Fund Balances			<u>125,098</u>		
Fund Balances					
July 1, 2013			<u>4,288,755</u>		
June 30, 2014			<u>\$ 4,413,853</u>		

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

South Panola School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 1,934,692	1,575,081	1,575,081	(359,611)	0
Total Revenues	<u>1,934,692</u>	<u>1,575,081</u>	<u>1,575,081</u>	<u>(359,611)</u>	<u>0</u>
Expenditures					
Instruction	1,001,496	817,842	817,842	183,654	0
Support services	838,580	660,685	660,685	177,895	0
Noninstructional services	94,616	78,554	78,554	16,062	0
Total Expenditures	<u>1,934,692</u>	<u>1,557,081</u>	<u>1,557,081</u>	<u>377,611</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out		(18,000)	(18,000)	18,000	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(18,000)</u>	<u>(18,000)</u>	<u>18,000</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2013			<u>0</u>		
June 30, 2014			\$ <u><u>0</u></u>		

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

South Panola School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,225,786	1,002,836	1,002,836	(222,950)	0
Total Revenues	<u>1,225,786</u>	<u>1,002,836</u>	<u>1,002,836</u>	<u>(222,950)</u>	<u>0</u>
Expenditures					
Instruction	822,899	599,199	599,199	223,700	0
Support services	402,887	383,482	383,482	19,405	0
Total Expenditures	<u>1,225,786</u>	<u>982,681</u>	<u>982,681</u>	<u>243,105</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>20,155</u>	<u>20,155</u>	<u>20,155</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	0	(20,155)	(20,155)	20,155	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(20,155)</u>	<u>(20,155)</u>	<u>20,155</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2013			<u>0</u>		
June 30, 2014			<u>\$ 0</u>		

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

South Panola School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTARY INFORMATION

This page left blank intentionally.

South Panola School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 811,703
National school lunch program	10.555	1,965,201
Summer food service program for children	10.559	1,668
Total child nutrition cluster		<u>2,778,572</u>
Total U.S. Department of Agriculture		<u>2,778,572</u>
U.S. Department of Defense		
Direct program:		
Reserve officers' training corps	12.xxx	85,692
Total U.S. Department of Defense		<u>85,692</u>
U.S. Department of Labor		
Passed-through Mississippi Development Authority		
Workforce Investment Act - Youth Activities	17.259	96,844
Total U.S. Department of Labor		<u>96,844</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	95,655
Total Federal Communications Commission		<u>95,655</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,575,081
Career and technical education - basic grants to states	84.048	56,622
Rural education	84.358	85,850
Improving teacher quality - state grants	84.367	214,528
Total		<u>1,932,081</u>
Special education cluster:		
Special education - grants to states	84.027	1,002,836
Special education - preschool grants	84.173	50,914
Total special education cluster		<u>1,053,750</u>
Total passed-through Mississippi Department of Education		<u>2,985,831</u>

South Panola School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<hr/>		
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	9,103
Total passed-through the Mississippi Institution of Higher Learning		<u>9,103</u>
 Total U.S. Department of Education		 <u>2,994,934</u>
 U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	16,769
 Total U.S. Department of Health and Human Services		 <u>16,769</u>
 Total for All Federal Awards		 <u><u>\$ 6,068,466</u></u>

NOTES TO SCHEDULE

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

South Panola School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2014

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 29,071,586	\$ 22,073,031	\$ 1,032,040	\$ 2,173,696	\$ 3,792,819
Other	\$ 12,311,830	\$ 2,200,318	\$ 505,978	\$ 183,018	\$ 9,422,516
Total	<u>\$ 41,383,416</u>	<u>\$ 24,273,349</u>	<u>\$ 1,538,018</u>	<u>\$ 2,356,714</u>	<u>\$ 13,215,335</u>
Total number of students	<u>4,492</u>				
Cost per student	<u>\$ 9,213</u>	<u>\$ 5,404</u>	<u>\$ 342</u>	<u>\$ 525</u>	<u>\$ 2,942</u>

Notes to the schedule.

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

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

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

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

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

This page left blank intentionally.

OTHER INFORMATION

This page left blank intentionally.

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

UNAUDITED

	2014	2013*	2012*	2011*
Revenues				
Local sources	\$ 10,987,883	10,370,980	8,713,408	9,895,928
State sources	19,844,901	19,603,814	19,577,190	18,086,693
Federal sources	225,310	230,197	335,123	277,180
Total Revenues	<u>31,058,094</u>	<u>30,204,991</u>	<u>28,625,721</u>	<u>28,259,801</u>
Expenditures				
Instruction	18,879,346	18,592,686	18,546,206	16,083,758
Support services	11,387,535	10,829,840	10,604,010	9,926,319
Total Expenditures	<u>30,266,881</u>	<u>29,422,526</u>	<u>29,150,216</u>	<u>26,010,077</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>791,213</u>	<u>782,465</u>	<u>(524,495)</u>	<u>2,249,724</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	153,113
Insurances loss recoveries	0	37,909	21,993	8,056
Sale of transportation equipment	0	4,525	10,175	0
Other financing sources	21,706	0	0	0
Operating transfers in	177,229	223,811	189,548	216,781
Operating transfers out	(865,050)	(841,663)	(889,584)	(867,248)
Other financing uses	0	(340)	0	0
Total Other Financing Sources (Uses)	<u>(666,115)</u>	<u>(575,758)</u>	<u>(667,868)</u>	<u>(489,298)</u>
Net Change in Fund Balances	<u>125,098</u>	<u>206,707</u>	<u>(1,192,363)</u>	<u>1,760,426</u>
Fund Balances				
July 1	<u>4,288,755</u>	<u>4,082,048</u>	<u>5,274,411</u>	<u>3,513,985</u>
June 30	<u>\$ 4,413,853</u>	<u>4,288,755</u>	<u>4,082,048</u>	<u>5,274,411</u>

* Source - Prior year audit reports.

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

UNAUDITED

	2014	2013*	2012*	2011*
Revenues				
Local sources	\$ 12,529,145	13,728,146	10,075,872	11,554,710
Intermediate sources	0	0	0	35,862
State sources	21,222,725	20,976,096	20,981,181	19,480,073
Federal sources	6,003,990	6,001,776	7,034,301	9,035,483
Sixteenth section sources	35,189	35,244	35,189	35,189
Total Revenues	39,791,049	40,741,262	38,126,543	40,141,317
Expenditures				
Instruction	22,067,658	21,977,478	23,032,102	22,810,010
Support services	14,524,193	12,647,237	12,407,225	11,125,396
Noninstructional services	2,597,654	2,658,137	2,530,235	2,476,586
Sixteenth section	2,935	2,850	0	1,299
Facilities acquisition and construction	0	70,000	0	0
Debt service				
Principal	2,033,320	1,289,558	1,357,166	1,203,069
Interest	132,156	186,490	314,302	428,774
Other	25,500	2,300	6,059	3,580
Total Expenditures	41,383,416	38,834,050	39,647,089	38,048,714
Excess (Deficiency) of Revenues Over Expenditures	(1,592,367)	1,907,212	(1,520,546)	2,092,603
Other Financing Sources (Uses)				
Proceeds of refunding bonds	0	0	7,220,000	0
Proceeds of loans	2,580,000	0	0	153,113
Insurances loss recoveries	0	37,909	21,993	8,056
Sale of transportation equipment	0	4,525	10,175	0
Operating transfers in	1,042,624	1,306,930	1,233,357	1,084,095
Other financing sources	21,706	0	36,978	0
Operating transfers out	(1,042,624)	(1,306,930)	(1,233,357)	(1,084,095)
Payment to refunded bond escrow agent	0	0	(7,256,978)	0
Other financing uses	(17,745)	(6,380)	(5,709)	0
Total Other Financing Sources (Uses)	2,583,961	36,054	26,459	161,169
Net Change in Fund Balances	991,594	1,943,266	(1,494,087)	2,253,772
Fund Balances				
July 1, as previously reported	12,556,372	10,627,420	12,130,515	9,874,100
Prior period adjustments	(1,602)	0	0	0
July 1, as restated	12,554,770	10,627,420	12,130,515	9,874,100
Increase (Decrease) in reserve for inventory	27,366	(14,314)	(9,008)	2,643
June 30	\$ 13,573,730	12,556,372	10,627,420	12,130,515

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

This page left blank intentionally.

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

Independent Auditor's Report

Superintendent and School Board
South Panola School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Panola School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise South Panola School District's basic financial statements, and have issued my report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Kimberly J. May, CPA, PLLC

Madison, MS

December 1, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Superintendent and School Board
South Panola School District

Report on Compliance for Each Major Federal Program

I have audited South Panola School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Panola School District's major federal programs for the year ended June 30, 2014. South Panola School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of South Panola School District's compliance.

Opinion on Each Major Federal Program

In my opinion, South Panola School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of South Panola School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered South Panola School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of South Panola School District's internal control over compliance.

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

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

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

Kimberly J. May, CPA, PLLC

Madison, MS
December 1, 2014

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

This page left blank intentionally.

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

Superintendent and School Board
South Panola School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Panola School District as of and for the year ended June 30, 2014, which collectively comprise South Panola School District's basic financial statements and have issued my report thereon dated December 1, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$-0- of classroom supply funds carried over from previous years.

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

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

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

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

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

Kimberly J. May, CPA, PLLC

Madison, MS
December 1, 2014

This page left blank intentionally.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

South Panola School District
 Schedule of Findings and Questioned Costs
 June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

This page left blank intentionally.