



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, 2010**

**Kimberly T. May, CPA  
Madison, MS**

This page left blank intentionally.

## TABLE OF CONTENTS

FINANCIAL AUDIT REPORT.....	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information...	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
FINANCIAL STATEMENTS.....	13
Statement of Net Assets.....	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds.....	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	20
Statement of Fiduciary Assets and Liabilities.....	21
Notes to the Financial Statements.....	23
REQUIRED SUPPLEMENTAL INFORMATION.....	37
Budgetary Comparison Schedule for the General Fund.....	39
Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Basic Fund.....	40
Budgetary Comparison Schedule for the Major Special Revenue Fund - School Improvement Fund.....	41
Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I ARRA Fund.....	42
Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund.....	43
Notes to the Required Supplemental Information.....	44
SUPPLEMENTAL INFORMATION.....	45
Schedule of Expenditures of Federal Awards.....	47
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	49
OTHER SUPPLEMENTAL INFORMATION.....	51
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years.....	53
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years.....	54
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	55
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> .....	57
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	59
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	65

This page left blank intentionally.

## FINANCIAL AUDIT REPORT

This page left blank intentionally.



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

Superintendent and School Board  
South Panola School District

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

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

In my opinion, the financial statements referred to 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, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 6, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Kimberly J. May, CPA*

Madison, MS  
September 6, 2011

## 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, 2010

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

### FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$1,412,916, including a prior period adjustment of \$38,777, which represents a 8.7% increase from fiscal year 2009. Total net assets for 2009 increased \$880,851, which represents a 5.7% increase from fiscal year 2008. This increase in net assets is primarily due to the following: 1) capital outlays of \$807,808 during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 2) repayment of debt principal in the amount of \$1,065,000 was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets.
- General revenues amounted to \$29,177,064 and \$30,819,382, or 73.9% and 79% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,291,432, or 26.1% of total revenues for 2010, and \$8,158,350, or 21% of total revenues for 2009.
- The District had \$38,094,357 and \$38,357,818 in expenses for fiscal years 2010 and 2009; only \$10,291,432 for 2010 and \$8,158,350 for 2009 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$29,177,064 for 2010 and \$30,819,382 for 2009 were available to provide for these programs.
- Among major funds, the General Fund had \$28,150,690 in revenues and \$26,999,796 in expenditures for 2010, and \$29,769,334 in revenues and \$28,980,829 in expenditures in 2009. The General Fund's fund balance decreased by \$581,262 from 2009 to 2010, and decreased by \$31,590 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$53,588 for 2010 and increased by \$31,111 for 2009. The increase for 2010 was the result of the acquisition of capital assets.
- Long-term debt decreased by \$734,600 for 2010 and decreased by \$1,016,014 for 2009. This decrease was due to the principal payments on outstanding long-term debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the

timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$17,693,851 as of June 30, 2010.

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

Table 1 presents a summary of the District's net assets at June 30, 2010 and June 30, 2009.

**Table 1**  
**Condensed Statement of Net Assets**

	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>Percentage Change</b>
Current assets	\$ 7,944,614	\$ 7,671,938	3.55 %
Restricted assets	1,929,486	1,603,403	20.34 %
Capital assets, net	21,015,405	20,961,817	0.26 %
<b>Total assets</b>	<b>30,889,505</b>	<b>30,237,158</b>	<b>2.16 %</b>
Current liabilities	908,146	934,115	(2.78) %
Long-term debt outstanding	12,287,508	13,022,108	(5.64) %
<b>Total liabilities</b>	<b>13,195,654</b>	<b>13,956,223</b>	<b>(5.45) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	10,616,433	9,202,332	15.37 %
Restricted	2,115,249	2,646,065	(20.06) %
Unrestricted	4,962,169	4,432,538	11.95 %
<b>Total net assets</b>	<b>\$ 17,693,851</b>	<b>\$ 16,280,935</b>	<b>8.68 %</b>

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

- Increase in net capital assets in the amount of \$53,588.
- The principal retirement of \$1,065,000 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$39,468,496 and \$38,977,732, respectively. The total cost of all programs and services was \$38,094,357 for 2010 and \$38,357,818 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

**Table 2**  
**Change in Net Assets**

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 678,326	\$ 935,540	(27.49) %
Operating grants and contributions	9,613,106	7,222,810	33.09 %
General revenues:			
Property taxes	8,713,071	7,545,056	15.48 %
Grants and contributions not restricted	20,027,126	22,761,387	(12.01) %
Investment earnings	175,886	219,560	(19.89) %
Sixteenth section sources	58,029	35,439	63.74 %
Other	202,952	257,940	(21.32) %
<b>Total revenues</b>	<u><b>39,468,496</b></u>	<u><b>38,977,732</b></u>	<b>1.26 %</b>
<b>Expenses:</b>			
Instruction	23,441,631	23,115,471	1.41 %
Support services	11,821,592	12,151,042	(2.71) %
Non-instructional	2,288,463	2,510,564	(8.85) %
Sixteenth section	4,596	2,622	75.29 %
Interest and other expense on long-term liabilities	538,075	578,119	(6.93) %
<b>Total expenses</b>	<u><b>38,094,357</b></u>	<u><b>38,357,818</b></u>	<b>(0.69) %</b>
<b>Increase (Decrease) in net assets</b>	<u><b>1,374,139</b></u>	<u><b>619,914</b></u>	<b>121.67 %</b>
<b>Net Assets, July 1, as originally reported</b>	<u><b>16,280,935</b></u>	<u><b>15,400,084</b></u>	<b>5.72 %</b>
<b>Prior Period Adjustment(s)</b>	<u><b>38,777</b></u>	<u><b>260,937</b></u>	<b>(85.14) %</b>
<b>Net Assets Restated, July 1, as restated</b>	<u><b>16,319,712</b></u>	<u><b>15,661,021</b></u>	<b>4.21 %</b>
<b>Net Assets, June 30</b>	<u><b>\$ 17,693,851</b></u>	<u><b>\$ 16,280,935</b></u>	<b>8.68 %</b>

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

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Instruction	\$ 23,441,631	\$ 23,115,471	1.41 %
Support services	11,821,592	12,151,042	(2.71) %
Non-instructional	2,288,463	2,510,564	(8.85) %
Sixteenth section	4,596	2,622	75.29 %
Interest and other expenses on long-term liabilities	538,075	578,119	(6.93) %
<b>Total expenses</b>	<u><b>\$ 38,094,357</b></u>	<u><b>\$ 38,357,818</b></u>	<b>(0.69) %</b>



	Net (Expense) Revenue		Percentage Change
	2010	2009	
Instruction	\$ (17,054,543)	\$ (18,830,315)	(9.43) %
Support services	(10,463,492)	(10,673,701)	(1.97) %
Non-instructional	257,781	(114,711)	(324.72) %
Sixteenth section	(4,596)	(2,622)	75.29 %
Interest and other expenses on long-term liabilities	(538,075)	(578,119)	(6.93) %
<b>Total net (expense) revenue</b>	<b>\$ (27,802,925)</b>	<b>\$ (30,199,468)</b>	<b>(7.94) %</b>

- Net cost of governmental activities, (\$27,802,925 for 2010 and \$30,199,468 for 2009) was financed by general revenue, which is primarily made up of property taxes of (\$8,713,071 for 2010 and \$7,545,056 for 2009) and unrestricted local, state and federal revenues of (\$20,027,126 for 2010 and \$22,761,387 for 2009). In addition, there were \$58,029 and \$35,439 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$175,886 for 2010 and \$219,560 for 2009.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$9,874,100, an increase of \$625,173, which includes a decrease in inventory of \$17,410. \$4,099,449 or 41.5% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$5,774,651 or 58.5% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$581,262. The fund balance of Other Governmental Funds showed an increase in the amount of \$152,264, which includes a decrease in reserve for inventory of \$17,410. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic Fund	no increase or decrease
School Improvement Fund	no increase or decrease
Title I ARRA Fund	no increase or decrease
IDEA Part B Fund	no increase or decrease
Capital Projects Fund	\$767,219
Note Retirement Fund	\$286,952

## 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 supplemental information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2010, the District's total capital assets were \$30,965,431, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of

\$449,085 from 2009. Total accumulated depreciation as of June 30, 2010, was \$9,950,026, and total depreciation expense for the year was \$748,145, resulting in total net capital assets of \$21,015,405.

**Table 4**  
**Capital Assets**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 723,090	\$ 723,090	0.00 %
Construction in Progress	-	301,557	(100.00) %
Buildings	18,243,322	17,756,260	2.74 %
Building improvements	379,794	339,360	11.91 %
Improvements other than buildings	149,112	137,072	8.78 %
Mobile equipment	1,433,069	1,613,250	(11.17) %
Furniture and equipment	87,018	91,228	(4.61) %
<b>Total</b>	<b>\$ 21,015,405</b>	<b>\$ 20,961,817</b>	<b>0.26 %</b>

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

**Debt Administration.** At June 30, 2010, the District had \$12,287,508 in outstanding long-term debt, of which \$1,220,712 is due within one year. The liability for compensated absences increased from the prior year.

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 4,735,000	\$ 5,225,000	(9.38) %
Limited obligation bonds payable	4,465,000	4,935,000	(9.52) %
Three mill notes payable	1,220,000	1,325,000	(7.92) %
Shortfall notes payable	310,000	-	N/A
Qualified zone academy bonds payable	1,198,972	1,198,972	0.00 %
Compensated absences payable	358,536	338,136	6.03 %
<b>Total</b>	<b>\$ 12,287,508</b>	<b>\$ 13,022,108</b>	<b>(5.64) %</b>

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

## **CURRENT ISSUES**

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

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

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

Student enrollment increased from 4,563 students for the 2008-2009 school year to 4,569 students for the 2009-2010 year.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## FINANCIAL STATEMENTS

This page left blank intentionally.

South Panola School District  
Statement of Net Assets  
June 30, 2010

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,630,590
Due from other governments	\$ 1,267,584
Inventories	\$ 46,440
Restricted assets (Note 4)	\$ 1,929,486
Non-depreciable capital assets (Note 5)	\$ 723,090
Depreciable capital assets, net (Note 5)	\$ 20,292,315
<b>Total Assets</b>	<u>\$ 30,889,505</u>
<b>Liabilities</b>	
Deferred credit on bonds payable (Note 13)	\$ 320,410
Interest payable on long-term liabilities	\$ 587,736
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	\$ 1,000,000
Non-capital related liabilities	\$ 220,712
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	\$ 9,398,972
Non-capital related liabilities	\$ 1,667,824
<b>Total Liabilities</b>	<u>\$ 13,195,654</u>
<b>Net assets</b>	
Invested in capital assets (net of related debt)	\$ 10,616,433
Restricted net assets	
Expendable	
School-based activities	\$ 631,904
Debt service	\$ 1,332,965
Forestry improvements	\$ 26,765
Unemployment benefits	\$ 90,000
Non-expendable	
Sixteenth section	\$ 33,615
Unrestricted	<u>\$ 4,962,169</u>
<b>Total Net Assets</b>	<u><u>\$ 17,693,851</u></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, 2010

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 23,441,631	\$ 556,172	\$ 5,830,916	\$ (17,054,543)
Support services	\$ 11,821,592		\$ 1,358,100	\$ (10,463,492)
Non-instructional	\$ 2,288,463	\$ 122,154	\$ 2,424,090	\$ 257,781
Sixteenth section	\$ 4,596			\$ (4,596)
Interest and other expenses on long-term liabilities	\$ 538,075			\$ (538,075)
Total Governmental Activities	<u>\$ 38,094,357</u>	<u>\$ 678,326</u>	<u>\$ 9,613,106</u>	<u>\$ (27,802,925)</u>
<b>General Revenues</b>				
Taxes				
General purpose levies				\$ 8,194,216
Debt purpose levies				\$ 518,855
Unrestricted grants and contributions				
Local				\$ 1,623,055
State				\$ 18,179,157
Federal				\$ 224,914
Unrestricted investment earnings				\$ 175,886
Sixteenth section sources				\$ 58,029
Other				\$ 202,952
Total General Revenues				<u>\$ 29,177,064</u>
Changes in Net Assets				<u>\$ 1,374,139</u>
Net Assets - Beginning, as originally reported				\$ 16,280,935
Prior Period Adjustments (Note 9)				\$ 38,777
Net Assets - Beginning -as restated				<u>\$ 16,319,712</u>
Net Assets - Ending				<u>\$ 17,693,851</u>

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

South Panola School District  
Balance Sheet - Governmental Funds  
June 30, 2010

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Title I Basic Fund	School Improvement Fund	Title I ARRA Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Retirement Fund	
<b>Assets</b>								
Cash and cash equivalents (Note 2)	\$ 2,605,679					\$ 3,336,720	\$ 217,082	\$ 7,204,463
Cash with fiscal agent (Note 2)							\$ 2,380	\$ 2,380
Investments (Note 2)							\$ 1,315,000	\$ 1,353,233
Due from other governments	\$ 328,788	\$ 123,407	\$ 76,059	\$ 154,844	\$ 78,142		\$ 5,591	\$ 1,267,584
Due from other funds (Note 3)	\$ 579,518							\$ 579,518
Inventories								\$ 46,440
<b>Total Assets</b>	<b>\$ 3,513,985</b>	<b>\$ 123,407</b>	<b>\$ 76,059</b>	<b>\$ 154,844</b>	<b>\$ 78,142</b>	<b>\$ 3,336,720</b>	<b>\$ 1,540,053</b>	<b>\$ 10,453,618</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Due to other funds (Note 3)		\$ 123,407	\$ 76,059	\$ 154,844	\$ 78,142			\$ 579,518
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 123,407</b>	<b>\$ 76,059</b>	<b>\$ 154,844</b>	<b>\$ 78,142</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 579,518</b>
<b>Fund Balances</b>								
Reserved for								
Debt service purposes							\$ 1,540,053	\$ 2,241,111
Permanent fund purposes								\$ 33,615
Unemployment benefits								\$ 90,000
Forestry improvements								\$ 26,765
Inventory								\$ 46,440
Unreserved						\$ 3,336,720		\$ 3,336,720
Designated, reported in								
Capital projects funds								
Undesignated, reported in								
General fund	\$ 3,513,985							\$ 3,513,985
Special revenue funds								\$ 585,464
<b>Total Fund Balances</b>	<b>\$ 3,513,985</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,336,720</b>	<b>\$ 1,540,053</b>	<b>\$ 9,874,100</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,513,985</b>	<b>\$ 123,407</b>	<b>\$ 76,059</b>	<b>\$ 154,844</b>	<b>\$ 78,142</b>	<b>\$ 3,336,720</b>	<b>\$ 1,540,053</b>	<b>\$ 10,453,618</b>

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

South Panola School District  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2010

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 9,874,100
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$9,950,026.	\$ 21,015,405
Long-term deferred charges in the statement of net assets were reported as current period expenditures in the governmental funds.	\$ (320,410)
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$(12,287,508)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (587,736)</u>
Total net assets - governmental activities	<u><u>\$ 17,693,851</u></u>

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



South Panola School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2010

Exhibit D

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Basic Fund	School Improvement Fund	Title I ARRA Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Retirement Fund	
Revenues								
Local sources	\$ 9,559,000					\$ 55,231	\$ 288,252	\$ 1,391,123
Intermediate sources								\$ 70,725
State sources	\$ 18,368,890							\$ 1,380,030
Federal sources	\$ 222,800	\$ 1,421,770	\$ 136,559	\$ 366,069	\$ 946,278			\$ 5,094,589
Sixteenth section sources								\$ 58,029
Total Revenues	\$ 28,150,690	\$ 1,421,770	\$ 136,559	\$ 366,069	\$ 946,278	\$ 55,231	\$ 288,252	\$ 7,994,496
Expenditures								
Instruction	\$ 16,778,776	\$ 1,002,394	\$ 136,559	\$ 349,089	\$ 586,281			\$ 4,097,639
Support services	\$ 10,221,020	\$ 356,948		\$ 1,051	\$ 330,414	\$ 73,605		\$ 576,210
Noninstructional services		\$ 52,428		\$ 1,051				\$ 2,324,197
Sixteenth section								\$ 4,596
Facilities acquisition and construction						\$ 566,025		\$ 75,000
Debt service								
Principal (Note 6)								\$ 1,065,000
Interest							\$ 1,300	\$ 452,524
Other								\$ 3,703
Total Expenditures	\$ 26,999,796	\$ 1,411,770	\$ 136,559	\$ 351,191	\$ 916,695	\$ 639,630	\$ 1,300	\$ 8,598,869
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,150,894	\$ 10,000	\$ -	\$ 14,878	\$ 29,583	\$ (584,399)	\$ 286,952	\$ (604,373)
Other Financing Sources (Uses)								
Proceeds of loans (Note 6)	\$ 310,000							\$ 310,000
Insurances loss recoveries	\$ 29,048							\$ 29,048
Operating transfers in (Note 3)	\$ 229,704					\$ 1,351,618		\$ 968,739
Operating transfers out (Note 3)	\$ (2,300,908)	\$ (10,000)		\$ (14,878)	\$ (29,583)			\$ (194,692)
Total Other Financing Sources (Uses)	\$ (1,732,156)	\$ (10,000)	\$ -	\$ (14,878)	\$ (29,583)	\$ 1,351,618	\$ -	\$ 774,047
Net Change in Fund Balances	\$ (581,262)	\$ -	\$ -	\$ -	\$ -	\$ 767,219	\$ 286,952	\$ 169,674
Fund Balances								
July 1, 2009	\$ 4,095,247	\$ -	\$ -	\$ -	\$ -	\$ 2,569,501	\$ 1,253,101	\$ 1,331,078
Decrease in reserve for inventory								\$ (17,410)
June 30, 2010	\$ 3,513,985	\$ -	\$ -	\$ -	\$ -	\$ 3,336,720	\$ 1,540,053	\$ 1,483,342

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

South Panola School District  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2010

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 642,583
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$807,808 and the depreciation expense amounted to \$748,145	\$ 59,663
Amortization of deferred credit on bonds payable is reported as other revenue in the statement of activities but not reported in the government funds	\$ 80,103
The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	\$ 1,065,000
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	\$ (310,000)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	\$ (80,548)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	\$ (44,852)
A decrease in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are increased in the Statement of Activities.	\$ (17,410)
Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	\$ (20,400)
Changes in net assets of governmental activities	<u>\$ 1,374,139</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, 2010

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 1,665,303
Investments (Note 2)	<u>\$ 38,682</u>
Total Assets	<u>\$ 1,703,985</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,552,376
Due to student clubs	<u>\$ 151,609</u>
Total Liabilities	<u>\$ 1,703,985</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 the Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, 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. Basis of Presentation

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

**General Fund** – This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

**Title I Basic 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.

**School Improvement Fund** – This is a special revenue fund that is used to account for Federal funds whose use is limited to improving services at the school level.

**Title I ARRA Fund** – This is a special revenue fund that is used to account for Federal funds whose use is also 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 the school board has designated its use for construction, repairs and renovations of school buildings and related facilities.

**QZAB Debt Retirement** – 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 the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

**Capital Projects Funds** - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

An encumbrance system is maintained to account for commitments 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 as reservations of fund balances.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested. For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.



South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 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
Leased property under capital leases	*	*
Intangible assets	**	**

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

(\*\*) The estimated useful life is based on the district's specific intangible asset(s). There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term depreciation includes amortization of intangible assets.

7. Compensated Absences

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

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

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

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

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

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

9. Fund equity

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

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

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

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

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

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

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

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

Unreserved - designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

(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

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,238,078 (which includes \$33,615 of certificates of deposit with original maturities beyond three months and reported on Exhibit C as investments) and \$1,665,303, respectively. The bank balance was \$10,386,507.

*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 the school district's cash with fiscal agents held by financial institutions was \$2,380.

#### Investments

As of June 30, 2010, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Federated US Treasury Cash Reserve	AAA	less than 1	\$ 4,618
Certificates of deposit	N/A	less than 1	33,615
Federal National Mortgage Association	AAA	less than 1	1,315,000
Total			<u>\$ 1,353,233</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.

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

**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, 2010, the district did not have any investments to which this would apply.

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

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major fund - Title I Basic Fund	\$ 123,407
	Major fund - School Improvement Fund	76,059
	Major fund - Title I ARRA Fund	154,844
	Major fund - IDEA Part B Fund	78,142
	Other governmental funds	147,066
Total		\$ <u>579,518</u>

The purpose of the interfund loans was to eliminate deficit cash balance in certain federal programs as part of the year end close out.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Major fund - Capital Projects Fund	\$ 1,332,169
	Other governmental funds	968,739
Major fund - Title I Basic Fund	General Fund	10,000
Major fund - Title I ARRA Fund	General Fund	14,878
Major fund - IDEA Part B Fund	General Fund	29,583
Other governmental funds	General Fund	175,243
	Major fund - Capital Projects Fund	19,449
Total		\$ <u>2,550,061</u>

The transfer from the General Fund is to provide financing for the Capital Projects Fund and the vocational program contained in the Other Governmental Funds. The transfers out of the major funds are for indirect cost.

(4) Restricted Assets

The restricted assets represent the legally restricted cash and investment balances of the following funds which may not be used for purposes that support the district's programs.

<u>Funds with Restricted Balances</u>	<u>Account</u>	<u>Amount</u>
QSCB Retirement Fund	Cash	\$ 217,082
Shortfall Note Retirement Fund	Cash	142,534
Three Mill Noted Retirement Fund	Cash	37,762
Bond Retirement Fund	Cash	176,795
QZAB Retirement Fund	Cash with Fiscal Agent	2,380

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

<u>Funds with Restricted Balances</u>	<u>Account</u>	<u>Amount</u>
QZAB Retirement Fund	Investment	1,315,000
MAEP Retirement Fund	Investment	4,618
16 <sup>th</sup> Section Principal Fund	Investment	33,315
Total Restricted Assets		<u>\$ 1,929,486</u>

(5) Capital Assets

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

	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>*</u> <u>Adjustments</u>	<u>Balance</u> <u>6/30/2010</u>
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 723,090					723,090
Construction in progress	301,557	566,025		(867,582)		0
Total non-depreciable capital assets	<u>1,024,647</u>	<u>566,025</u>	<u>0</u>	<u>(867,582)</u>	<u>0</u>	<u>723,090</u>
<u>Depreciable capital assets:</u>						
Buildings	24,484,201	75,000		867,582		25,426,783
Building improvements	404,000	49,504				453,504
Improvements other than buildings	239,268				32,502	271,770
Mobile equipment	3,185,511	86,000	(307,775)			2,963,736
Furniture and equipment	1,178,719	31,279	(59,442)		(24,008)	1,126,548
Total depreciable capital assets	<u>29,491,699</u>	<u>241,783</u>	<u>(367,217)</u>	<u>867,582</u>	<u>8,494</u>	<u>30,242,341</u>
<u>Less accumulated depreciation for:</u>						
Buildings	6,727,941	475,317			(19,797)	7,183,461
Building improvements	64,640	9,070				73,710
Improvements other than buildings	102,196	7,673			12,789	122,658
Mobile equipment	1,572,261	231,669	(273,758)		495	1,530,667
Furniture and equipment	1,087,491	24,416	(48,607)		(23,770)	1,039,530
Total depreciation	<u>9,554,529</u>	<u>748,145</u>	<u>(322,365)</u>	<u>0</u>	<u>(30,283)</u>	<u>9,950,026</u>
Total depreciable capital assets, net	<u>19,937,170</u>	<u>-506,362</u>	<u>(44,852)</u>	<u>867,582</u>	<u>38,777</u>	<u>20,292,315</u>
Governmental activities capital assets, net	<u>\$ 20,961,817</u>	<u>59,663</u>	<u>(44,852)</u>	<u>0</u>	<u>38,777</u>	<u>21,015,405</u>

\* The adjustments represent corrections to asset account balances and accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 490,893
Support services	197,092
Non-instructional	60,160
Total Depreciation Expense	<u>\$ 748,145</u>

(6) Long-term Liabilities

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

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Amounts due within one year
A. General obligation bonds payable	\$ 5,225,000		490,000	4,735,000	510,000
B. Limited obligation bonds payable	4,935,000		470,000	4,465,000	490,000
C. Three mill notes payable	1,325,000		105,000	1,220,000	105,000
D. Shortfall notes payable	0	310,000		310,000	97,785
E. Qualified zone academy bonds payable	1,198,972			1,198,972	0
F. Compensated absences payable	338,136	20,400		358,536	17,927
Total	<u>\$ 13,022,108</u>	<u>330,400</u>	<u>1,065,000</u>	<u>12,287,508</u>	<u>1,220,712</u>

A. General obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation refunding bonds, series 2005	4.0	12/15/2005	3/1/2018	\$ <u>5,460,000</u>	\$ <u>4,735,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 510,000	189,400	699,400
2012	535,000	169,000	704,000
2013	555,000	147,600	702,600
2014	575,000	125,400	700,400
2015	600,000	102,400	702,400
2016 – 2018	1,960,000	159,000	2,119,000
Total	<u>\$ 4,735,000</u>	<u>892,800</u>	<u>5,627,800</u>

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

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2010, the amount of outstanding bonded indebtedness was equal to 2.8% of property assessments as of October 1, 2009.

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, series 2006	3.5-4.0	5/4/2006	3/1/2018	\$ 6,140,000	\$ 4,465,000

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 490,000	172,168	662,168
2012	505,000	154,406	659,406
2013	525,000	136,100	661,100
2014	545,000	116,412	661,412
2015	565,000	95,293	660,293
2016 – 2018	1,835,000	154,600	1,989,600
Total	\$ 4,465,000	828,979	5,293,979

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

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

**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	1,220,000

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

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 105,000	50,222	155,222
2012	165,000	46,075	211,075
2013	170,000	39,475	209,475
2014	180,000	32,590	212,590
2015	190,000	25,210	215,210
2016 – 2017	410,000	26,250	436,250
Total	<u>\$ 1,220,000</u>	<u>219,822</u>	<u>1,439,822</u>

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

D. Shortfall notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall notes, series 2009	5.5	8/19/2009	8/19/2012	\$ 310,000	\$ 310,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 97,785	17,287	115,072
2012	103,237	11,833	115,070
2013	108,978	6,093	115,071
Total	<u>\$ 310,000</u>	<u>35,213</u>	<u>345,213</u>

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

E. Qualified zone academy bonds payable

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

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

M. Compensated absences payable

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



South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

(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 supplemental information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$2,496,275, \$2,427,628 and \$2,364,125, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands

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

Year Ending June 30	Amount
2011	\$ 28,476
2012	28,476
2013	28,476
2014	28,476
2015	28,476
2016 – 2020	56,952
<b>Total</b>	<b>\$ 199,332</b>

(9) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation(s)	Amount
Correction to capital assets	\$ 38,777

(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

South Panola School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2010

allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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

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

(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, 2010 was \$1,317,380. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2011	\$ 230,000
2012	230,000
2013	230,000
Total	\$ 690,000

(13) Deferred credit on Bonds Payable

Upon the issuance of the interest free Quality Zone Academy Bonds, the district incurred a deferred credit on bonds payable in the amount of \$801,028. The deferred credit is based on imputed interest at a rate of 5.5%. This deferred credit is reported on Statement of Net Assets and as such will be amortized over the life of the bonds using the straight line method at an annual cost of \$80,103. The unamortized balance was \$320,410 at fiscal year end.

REQUIRED SUPPLEMENTAL INFORMATION

This page left blank intentionally.

South Panola School District  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 9,264,702	\$ 9,541,102	\$ 9,559,000	\$ 276,400	\$ 17,898
State sources	\$ 20,836,969	\$ 18,368,890	\$ 18,368,890	\$ (2,468,079)	\$ -
Federal sources	\$ 150,000	\$ 222,800	\$ 222,800	\$ 72,800	\$ -
<b>Total Revenues</b>	<u>\$ 30,251,671</u>	<u>\$ 28,132,792</u>	<u>\$ 28,150,690</u>	<u>\$ (2,118,879)</u>	<u>\$ 17,898</u>
<b>Expenditures</b>					
Instruction	\$ 18,938,953	\$ 16,778,776	\$ 16,778,776	\$ 2,160,177	\$ -
Support services	\$ 10,814,687	\$ 10,221,020	\$ 10,221,020	\$ 593,667	\$ -
Facilities acquisition and construction	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ -
Debt service					
Principal	\$ 114,000	\$ -	\$ -	\$ 114,000	\$ -
<b>Total Expenditures</b>	<u>\$ 29,892,640</u>	<u>\$ 26,999,796</u>	<u>\$ 26,999,796</u>	<u>\$ 2,892,844</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>\$ 359,031</u>	<u>\$ 1,132,996</u>	<u>\$ 1,150,894</u>	<u>\$ 773,965</u>	<u>\$ 17,898</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds of loans	\$ -	\$ 310,000	\$ 310,000	\$ 310,000	\$ -
Insurance loss recoveries	\$ 2,000	\$ 29,048	\$ 29,048	\$ 27,048	\$ -
Sale of transportation equipment	\$ 1,500	\$ 12,646	\$ -	\$ 11,146	\$ (12,646)
Operating transfers in	\$ 3,237,500	\$ 3,364,188	\$ 229,704	\$ 126,688	\$ (3,134,484)
Operating transfers out	\$ (3,587,000)	\$ (5,434,235)	\$ (2,300,908)	\$ (1,847,235)	\$ 3,133,327
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (346,000)</u>	<u>\$ (1,718,353)</u>	<u>\$ (1,732,156)</u>	<u>\$ (1,372,353)</u>	<u>\$ (13,803)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 13,031</u>	<u>\$ (585,357)</u>	<u>\$ (581,262)</u>	<u>\$ (598,388)</u>	<u>\$ 4,095</u>
<b>Fund Balances</b>					
July 1, 2009			<u>\$ 4,095,247</u>		
June 30, 2010			<u>\$ 3,513,985</u>		

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

South Panola School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Basic Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,102,668	\$ 1,421,770	\$ 1,421,770	\$ 319,102	\$ -
Total Revenues	<u>\$ 1,102,668</u>	<u>\$ 1,421,770</u>	<u>\$ 1,421,770</u>	<u>\$ 319,102</u>	<u>\$ -</u>
Expenditures					
Instruction	\$ 738,055	\$ 1,002,394	\$ 1,002,394	\$ (264,339)	\$ -
Support services	\$ 363,513	\$ 356,948	\$ 356,948	\$ 6,565	\$ -
Noninstructional services	\$ 1,100	\$ 52,428	\$ 52,428	\$ (51,328)	\$ -
Total Expenditures	<u>\$ 1,102,668</u>	<u>\$ 1,411,770</u>	<u>\$ 1,411,770</u>	<u>\$ (309,102)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Other Financing Sources (Uses)					
Operating transfers out	\$ -	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ -
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances					
July 1, 2009			<u>\$ -</u>		
June 30, 2010			<u>\$ -</u>		

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

South Panola School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - School Improvement Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Federal sources	\$ -	\$ 136,559	\$ 136,559	\$ 136,559	\$ -
<b>Total Revenues</b>	<u>\$ -</u>	<u>\$ 136,559</u>	<u>\$ 136,559</u>	<u>\$ 136,559</u>	<u>\$ -</u>
<b>Expenditures</b>					
Instruction	\$ -	\$ 136,559	\$ 136,559	\$ (136,559)	\$ -
<b>Total Expenditures</b>	<u>\$ -</u>	<u>\$ 136,559</u>	<u>\$ 136,559</u>	<u>\$ (136,559)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balances</b>					
July 1, 2009			<u>\$ -</u>		
June 30, 2010			<u><u>\$ -</u></u>		

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

South Panola School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I ARRA Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ -	\$ 366,069	\$ 366,069	\$ 366,069	\$ -
Total Revenues	<u>\$ -</u>	<u>\$ 366,069</u>	<u>\$ 366,069</u>	<u>\$ 366,069</u>	<u>\$ -</u>
Expenditures					
Instruction	\$ -	\$ 349,089	\$ 349,089	\$ (349,089)	\$ -
Support services		\$ 1,051	\$ 1,051	\$ (1,051)	\$ -
Noninstructional services		\$ 1,051	\$ 1,051	\$ (1,051)	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ 351,191</u>	<u>\$ 351,191</u>	<u>\$ (351,191)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 14,878</u>	<u>\$ 14,878</u>	<u>\$ 14,878</u>	<u>\$ -</u>
Other Financing Sources (Uses)					
Operating transfers out	\$ -	\$ (14,878)	\$ (14,878)	\$ (14,878)	\$ -
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (14,878)</u>	<u>\$ (14,878)</u>	<u>\$ (14,878)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances					
July 1, 2009			<u>\$ -</u>		
June 30, 2010			<u><u>\$ -</u></u>		

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



South Panola School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,380,203	\$ 946,278	\$ 946,278	\$ (433,925)	\$ -
Total Revenues	<u>\$ 1,380,203</u>	<u>\$ 946,278</u>	<u>\$ 946,278</u>	<u>\$ (433,925)</u>	<u>\$ -</u>
Expenditures					
Instruction	\$ 1,030,164	\$ 586,281	\$ 586,281	\$ 443,883	\$ -
Support services	\$ 296,033	\$ 330,414	\$ 330,414	\$ (34,381)	\$ -
Total Expenditures	<u>\$ 1,326,197</u>	<u>\$ 916,695</u>	<u>\$ 916,695</u>	<u>\$ 409,502</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 54,006</u>	<u>\$ 29,583</u>	<u>\$ 29,583</u>	<u>\$ (24,423)</u>	<u>\$ -</u>
Other Financing Sources (Uses)					
Operating transfers out	\$ -	\$ 29,583	\$ (29,583)	\$ 29,583	\$ (59,166)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 29,583</u>	<u>\$ (29,583)</u>	<u>\$ 29,583</u>	<u>\$ (59,166)</u>
Net Change in Fund Balances	<u>\$ 54,006</u>	<u>\$ 59,166</u>	<u>\$ -</u>	<u>\$ 5,160</u>	<u>\$ (59,166)</u>
Fund Balances					
July 1, 2009			<u>\$ -</u>		
June 30, 2010			<u>\$ -</u>		

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

South Panola School District  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2010

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

This page left blank intentionally.

South Panola School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 452,461
National school lunch program	10.555	\$ 2,097,944
Summer food service program for children	10.559	\$ 7,244
Total child nutrition cluster		\$ 2,557,649
Total U.S. Department of Agriculture		\$ 2,557,649
<u>U.S. Department of Justice</u>		
Direct program:		
Enforcing underage drinking laws program	19.727	\$ 1,887
Total U.S. Department of Justice		\$ 1,887
<u>U.S. Department of Labor</u>		
Passed-through Mississippi Development Authority		
Workforce Investment Act - Youth Activities	17.259	\$ 170,740
Total U.S. Department of Labor		\$ 170,740
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	\$ 116,771
Total Federal Communications Commission		\$ 116,771
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	\$ 192,592
Safe and drug-free schools and communities - state grants	84.186	\$ 41,707
Twenty first century community learning centers	84.287	\$ 93,793
Education technology - state grants	84.318	\$ 12,469
Rural education	84.358	\$ 118,468
Improving teacher quality - state grants	84.367	\$ 340,342
Total		\$ 799,371
State fiscal stabilization cluster:		
ARRA - State fiscal stabilization fund - education state grants, recovery act	84.394	\$ 1,461,949
Total state fiscal stabilization cluster		\$ 1,461,949
Title I cluster:		
Title I - grants to local educational agencies	84.010	\$ 1,637,383
ARRA - Title I - grants to local educational agencies, recovery act	84.389	\$ 366,069
Total title I cluster		\$ 2,003,452
Special education cluster:		
Special education - grants to states	84.027	\$ 972,092

South Panola School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
Special education - preschool grants	84.173	\$ 57,106
ARRA - Special education - grants to states, recovery act	84.391	\$ 181,026
Total special education cluster		\$ 1,210,224
Total passed-through Mississippi Department of Education		\$ 5,474,996
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	\$ 12,523
Total passed-through the Mississippi Institution of Higher Learning		\$ 12,523
Total U.S. Department of Education		\$ 5,487,519
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health:		
Prevent the spread of HIV and other important health problems	93.938	\$ 1,215
Total U.S. Department of Health and Human Services		\$ 1,215
<u>Corporation for National and Community Service</u>		
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	\$ 15,491
Total Corporation for National and Community Service		\$ 15,491
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	\$ 77,378
Total Other Federal Assistance		\$ 77,378
Total for All Federal Awards		\$ 8,428,650

NOTES TO SCHEDULE

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

South Panola School District  
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2010

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 28,822,819	\$ 22,022,416	\$ 750,283	\$ 2,034,162	\$ 4,015,958
Other	\$ 10,232,991	\$ 3,797,499	\$ 167,865	\$ 160,697	\$ 6,106,930
Total	<u>\$ 39,055,810</u>	<u>\$ 25,819,915</u>	<u>\$ 918,148</u>	<u>\$ 2,194,859</u>	<u>\$ 10,122,888</u>
Total number of students	<u>4,569</u>				
Cost per student	<u>\$ 8,548</u>	<u>\$ 5,651</u>	<u>\$ 201</u>	<u>\$ 480</u>	<u>\$ 2,216</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 SUPPLEMENTAL 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

	2010	2009*	2008*	2007*
<b>Revenues</b>				
Local sources	\$ 9,559,000	\$ 8,833,810	\$ 8,308,149	\$ 7,646,018
State sources	\$ 18,368,890	\$ 20,735,907	\$ 20,926,074	\$ 20,626,695
Federal sources	\$ 222,800	\$ 199,617	\$ 335,950	\$ 200,329
<b>Total Revenues</b>	<b>\$ 28,150,690</b>	<b>\$ 29,769,334</b>	<b>\$ 29,570,173</b>	<b>\$ 28,473,042</b>
<b>Expenditures</b>				
Instruction	\$ 16,778,776	\$ 18,133,832	\$ 17,507,205	\$ 16,540,858
Support services	\$ 10,221,020	\$ 10,738,236	\$ 10,508,812	\$ 9,747,579
Debt service				
Principal	\$ -	\$ 104,307	\$ 117,209	\$ 198,122
Interest	\$ -	\$ 4,109	\$ 8,950	\$ 18,674
Other	\$ -	\$ 345	\$ 4,905	\$ 1,703
<b>Total Expenditures</b>	<b>\$ 26,999,796</b>	<b>\$ 28,980,829</b>	<b>\$ 28,147,081</b>	<b>\$ 26,506,936</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 1,150,894</b>	<b>\$ 788,505</b>	<b>\$ 1,423,092</b>	<b>\$ 1,966,106</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans	\$ 310,000	\$ -	\$ -	\$ 99,114
Insurances loss recoveries	\$ 29,048	\$ -	\$ -	\$ 922
Sale of transportation equipment	\$ -	\$ -	\$ 3,061	\$ 3,681
Sale of other property	\$ -	\$ -	\$ -	\$ 1,857
Operating transfers in	\$ 229,704	\$ 187,901	\$ 678,006	\$ 189,383
Operating transfers out	\$ (2,300,908)	\$ (1,007,996)	\$ (1,476,942)	\$ (1,485,917)
Other financing uses	\$ -	\$ -	\$ -	\$ (17,940)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,732,156)</b>	<b>\$ (820,095)</b>	<b>\$ (795,875)</b>	<b>\$ (1,208,900)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (581,262)</b>	<b>\$ (31,590)</b>	<b>\$ 627,217</b>	<b>\$ 757,206</b>
<b>Fund Balances</b>				
July 1	\$ 4,095,247	\$ 4,126,837	\$ 3,499,620	\$ 2,742,414
June 30	\$ 3,513,985	\$ 4,095,247	\$ 4,126,837	\$ 3,499,620

\* 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

	2010	2009*	2008*	2007*
<b>Revenues</b>				
Local sources	\$ 11,293,606	\$ 10,474,016	\$ 10,087,336	\$ 9,225,741
Intermediate sources	\$ 70,725	\$ -	\$ 2,689	\$ -
State sources	\$ 19,748,920	\$ 22,597,624	\$ 22,334,138	\$ 22,034,809
Federal sources	\$ 8,188,065	\$ 5,784,050	\$ 5,655,841	\$ 5,698,812
Sixteenth section sources	\$ 58,029	\$ 41,939	\$ 29,440	\$ 30,254
<b>Total Revenues</b>	<b>\$ 39,359,345</b>	<b>\$ 38,897,629</b>	<b>\$ 38,109,444</b>	<b>\$ 36,989,616</b>
<b>Expenditures</b>				
Instruction	\$ 22,950,738	\$ 22,489,928	\$ 21,413,005	\$ 20,668,793
Support services	\$ 11,559,248	\$ 12,181,853	\$ 13,179,377	\$ 11,196,038
Noninstructional services	\$ 2,377,676	\$ 2,475,689	\$ 2,147,423	\$ 2,077,263
Sixteenth section	\$ 4,596	\$ 2,622	\$ 1,458	\$ -
Facilities acquisition and construction	\$ 641,025	\$ 301,557	\$ -	\$ -
Debt service				
Principal	\$ 1,065,000	\$ 1,140,431	\$ 1,165,615	\$ 980,685
Interest	\$ 452,524	\$ 496,330	\$ 533,339	\$ 516,900
Other	\$ 5,003	\$ 10,555	\$ 13,739	\$ 3,003
<b>Total Expenditures</b>	<b>\$ 39,055,810</b>	<b>\$ 39,098,965</b>	<b>\$ 38,453,956</b>	<b>\$ 35,442,682</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 303,535</b>	<b>\$ (201,336)</b>	<b>\$ (344,512)</b>	<b>\$ 1,546,934</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans	\$ 310,000	\$ -	\$ 1,500,000	\$ 99,114
Insurances loss recoveries	\$ 29,048	\$ -	\$ -	\$ 922
Sale of transportation equipment	\$ -	\$ -	\$ 3,061	\$ 3,681
Sale of other property	\$ -	\$ -	\$ -	\$ 1,857
Operating transfers in	\$ 2,550,061	\$ 1,195,897	\$ 2,158,231	\$ 1,927,483
Other financing sources	\$ -	\$ -	\$ -	\$ 368
Operating transfers out	\$ (2,550,061)	\$ (1,195,897)	\$ (2,158,231)	\$ (1,927,483)
Other financing uses	\$ -	\$ -	\$ -	\$ (17,940)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 339,048</b>	<b>\$ -</b>	<b>\$ 1,503,061</b>	<b>\$ 88,002</b>
<b>Net Change in Fund Balances</b>	<b>\$ 642,583</b>	<b>\$ (201,336)</b>	<b>\$ 1,158,549</b>	<b>\$ 1,634,936</b>
<b>Fund Balances</b>				
July 1	\$ 9,248,927	\$ 9,424,070	\$ 8,289,152	\$ 6,637,486
Increase (Decrease) in reserve for inventory	\$ (17,410)	\$ 26,193	\$ (23,631)	\$ 16,730
June 30	<b>\$ 9,874,100</b>	<b>\$ 9,248,927</b>	<b>\$ 9,424,070</b>	<b>\$ 8,289,152</b>

\* 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*

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, 2010, which collectively comprise the district's basic financial statements and have issued my report thereon dated September 6, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

*Kimberly J. May, CPA*

Madison, MS  
September 6, 2011

This page left blank intentionally.



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

Superintendent and School Board  
South Panola School District

Compliance

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

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

In my opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies,

significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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

*Kimberly J. May, CPA*

Madison, MS  
September 6, 2011

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 School District as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued my report thereon dated September 6, 2011. 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 \$1,116 of classroom supply funds carried over from previous years.

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

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

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

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

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

*Kimberly J. May, CPA*

Madison, MS  
September 6, 2011

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, 2010

**Section I: Summary of Auditor's Results**

**Financial Statements:**

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

**Federal Awards:**

- |    |  |               |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:  | Unqualified   |
| 5. | Internal control over major programs:  |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Significant deficiency identified that are not considered to be material weaknesses?  | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   | No            |
| 7. | Federal program identified as major program:   |               |
|    | a. Title I grants to local educational agencies cluster  |               |
|    | CFDA #: 84.010   |               |
|    | CFDA #: 84.389   |               |
|    | b. Special education cluster   |               |
|    | CFDA #: 84.027   |               |
|    | CFDA #: 84.173   |               |
|    | CFDA #: 84.391   |               |
|    | c. State fiscal stabilization fund - education state grants, recovery act  |               |
|    | CFDA #: 84.394   |               |
| 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.