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SOUTH PIKE SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2010**

SOUTH PIKE SCHOOL DISTRICT

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SOUTH PIKE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

PATRICK E. LOWERY AND ASSOCIATES

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

Superintendent and School Board
South Pike School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinions.

In our 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 Pike 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*, we have also issued our report dated December 13, 2011, on our consideration of the South Pike School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule(s) and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Pike 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 our 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, we express no opinion on it.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates
Certified Public Accountants

December 13, 2011

SOUTH PIKE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS



South Pike School District

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The discussion and analysis of South Pike 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 notes to the basic financial statements and the 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 \$1,033,474, net of a prior period adjustment of \$(5,559), which represents an 8% increase from fiscal year 2009. This increase in net assets is primarily due to the following: 1) capital outlays 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 during the fiscal year 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 \$13,623,334 and \$15,414,964, or 70% and 74% 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 \$5,701,186, or 30% of total revenues for 2010, and \$5,377,324, or 26% of total revenues for 2009.
- The District had \$18,285,487 and \$19,252,632 in expenses for fiscal years 2010 and 2009; only \$5,701,186 for 2010 and \$5,377,324 for 2009 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$13,623,334 for 2010 and \$15,414,964 for 2009 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,173,157 in revenues and \$11,877,351 in expenditures for 2010, and \$14,052,195 in revenues and \$13,579,453 in expenditures in 2009. The General Fund's fund balance decreased by \$50,735, including a prior period adjustment of \$(32,816) from 2009 to 2010, and increased by \$817,589, including a prior period adjustment of \$5,807, from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$2,230,858 for 2010 and increased by \$376,631 for 2009. The increase for 2010 was due primarily to the ongoing construction of the Eva Gordon Clinic and the new Junior High School and the purchase of three new school buses and various items of furniture and equipment.
- Long-term debt decreased by \$313,848 for 2010 and increased by \$3,014,928 for 2009. The decrease for 2010 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased from 2009.

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.

SOUTH PIKE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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 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.

SOUTH PIKE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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 \$14,139,464 as of June 30, 2010.

The District's financial position is a product of several financial transactions including the net result of activities, the 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

	June 30, 2010	June 30, 2009	Percentage Change
Current assets	\$ 6,975,369	\$ 8,953,681	(22.09) %
Restricted assets	979,752	672,308	45.73 %
Capital assets, net	10,638,977	8,408,119	26.53 %
Total assets	18,594,098	18,034,108	3.11 %
Current liabilities	876,288	1,035,924	(15.41) %
Long-term debt outstanding	3,578,346	3,892,194	(8.06) %
Total liabilities	4,454,634	4,928,118	(9.61) %
Net assets:			
Invested in capital assets, net of related debt	8,773,439	4,639,136	89.12 %
Restricted	2,440,833	2,216,392	10.13 %
Unrestricted	2,925,192	6,250,462	(53.20) %
Total net assets	\$ 14,139,464	\$ 13,105,990	7.89 %

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 \$2,230,858.
- The principal retirement of \$309,983 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 \$19,324,520 and \$20,792,288, respectively. The total cost of all programs and services was \$18,285,487 for 2010 and \$19,252,632 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.

SOUTH PIKE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Table 2
Change(s) in Net Assets

	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Year Ended</u> <u>June 30, 2009</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 254,282	\$ 348,582	(27.05) %
Operating grants and contributions	5,446,904	5,028,742	8.32 %
General revenues:			
Property taxes	3,947,846	3,684,935	7.13 %
Grants and contributions not restricted	9,136,820	10,555,673	(13.44) %
Investment earnings	234,319	329,808	(28.95) %
Sixteenth section sources	210,026	644,830	(67.43) %
Other	94,323	199,718	(52.77) %
Total revenues	<u>19,324,520</u>	<u>20,792,288</u>	(7.06) %
Expenses:			
Instruction	10,014,873	10,023,983	(0.09) %
Support services	6,784,076	7,816,447	(13.21) %
Non-instructional	1,309,662	1,282,399	2.13 %
Sixteenth section	47,896	47,223	1.43 %
Interest and other expense on long-term liabilities	128,980	82,580	56.19 %
Total expenses	<u>18,285,487</u>	<u>19,252,632</u>	(5.02) %
Increase (Decrease) in net assets	<u>1,039,033</u>	<u>1,539,656</u>	(32.52) %
Net Assets, July 1, as originally reported	<u>13,105,990</u>	<u>11,587,290</u>	13.11 %
Prior Period Adjustment(s)	<u>(5,559)</u>	<u>(20,956)</u>	(73.47) %
Net Assets Restated, July 1	<u>13,100,431</u>	<u>11,566,334</u>	13.26 %
Net Assets, June 30	<u>\$ 14,139,464</u>	<u>\$ 13,105,990</u>	7.89 %

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.

SOUTH PIKE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2010	2009	
Instruction	\$ 10,014,873	\$ 10,023,983	(0.09) %
Support services	6,784,076	7,816,447	(13.21) %
Non-instructional	1,309,662	1,282,399	2.13 %
Sixteenth section	47,896	47,223	1.43 %
Interest on long-term liabilities	128,980	82,580	56.19 %
Total expenses	\$ 18,285,487	\$ 19,252,632	(5.02) %

	Net (Expense) Revenue		Percentage Change
	2010	2009	
Instruction	\$ (6,896,441)	\$ (7,337,078)	6.01 %
Support services	(5,578,887)	(6,417,228)	13.06 %
Non-instructional	49,297	(69,694)	170.73 %
Sixteenth section	(29,290)	31,272	(193.66) %
Interest on long-term liabilities	(128,980)	(82,580)	(56.19) %
Total net (expense) revenue	\$ (12,584,301)	\$ (13,875,308)	9.30 %

- Net cost of governmental activities in the amount of \$12,584,301 for 2010 and \$13,875,308 for 2009 was financed by general revenue, which is made up of primarily property taxes of \$3,947,846 for 2010 and \$3,684,935 for 2009 and state and federal revenues of \$9,136,820 for 2010 and \$10,555,673 for 2009. In addition, there was \$210,026 and \$644,830 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$234,319 for 2010 and \$329,808 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 \$7,111,330, a decrease of \$1,542,370, which includes a prior period adjustment of \$(5,559) and a decrease in reserve for inventory of \$3,067. This decrease in fund balance is due primarily to expenditures incurred during the fiscal year for the ongoing construction of the new Junior High School and other renovation and improvement projects. \$3,794,247, or 53%, 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 \$3,317,083, or 47%, 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 \$50,735, including a prior period adjustment of \$(32,816). The fund balance of Other Governmental Funds showed an increase in the amount of \$132,254, which includes a prior period adjustment of

SOUTH PIKE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

\$27,257. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition Fund	\$ 53,835
Three Mill Loan Fund	\$ (1,749,746)
Sixteenth Section Principal Fund	\$ 72,022

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. Significant budget revisions during the year are explained as follows:

- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive \$672,000 in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the federal revenue received and reported in the Budget Stabilization Fund because this funding was received subsequent to the approval of the original budget.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the federal revenue received and expenditures incurred in the Budget Stabilization Fund. The funding was received subsequent to the approval of the original budget.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- The original budget for the General Fund was amended to reflect facilities acquisition and construction expenditures related to the purchase of land, the purchase of the building for the Eva Gordon Clinic currently undergoing renovation, and building improvements made to the Coliseum.

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 \$17,821,025, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$2,659,681 from 2009, due primarily to the on-going construction of the new Junior High and other renovation and improvement projects and the purchase of three new school buses and other items of furniture and equipment. Total accumulated depreciation as of June 30, 2010, was \$7,182,048, and total depreciation expense for the year was \$790,286, resulting in total net capital assets of \$10,638,977.

SOUTH PIKE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Table 4
Capital Assets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 344,586	\$ 288,642	19.38 %
Construction in Progress	1,843,284	2,000	92,064.20 %
Buildings	5,005,143	5,152,933	(2.87) %
Building improvements	1,585,317	792,947	99.93 %
Improvements other than buildings	23,929	26,588	(10.00) %
Mobile equipment	1,262,106	1,259,602	0.20 %
Furniture and equipment	574,612	745,407	(22.91) %
Leased property under capital leases	-	140,000	(100.00) %
Total	\$ 10,638,977	\$ 8,408,119	26.53 %

Debt Administration. At June 30, 2010, the District had \$3,578,346 in outstanding long-term debt, of which \$198,967 is due within one year. During the fiscal year, the District made principal payments in the amount of \$309,983 on existing long-term debt. The liability for compensated absences decreased \$3,865 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage</u> <u>Change</u>
Three mill notes payable	\$ 2,959,000	\$ 3,250,000	(8.95) %
Obligations under capital leases	-	18,983	(100.00) %
Qualified zone academy bonds payable	500,000	500,000	0.00 %
Compensated absences payable	119,346	123,211	(3.14) %
Total	\$ 3,578,346	\$ 3,892,194	(8.06) %

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the South Pike School District, P. O. Box 71, Magnolia, MS 39652.

SOUTH PIKE SCHOOL DISTRICT

FINANCIAL STATEMENTS

SOUTH PIKE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,136,323
Due from other governments	791,123
Inventories	47,923
Restricted assets	979,752
Capital assets, non-depreciable:	
Land	344,586
Construction in progress	1,843,284
Capital assets, net of accumulated depreciation:	
Buildings	5,005,143
Building improvements	1,585,317
Improvements other than buildings	23,929
Mobile equipment	1,262,106
Furniture and equipment	574,612
Total Assets	<u>18,594,098</u>
Liabilities	
Accounts payable and accrued liabilities	788,463
Unearned revenue	55,328
Interest payable on long-term liabilities	32,497
Long-term liabilities, due within one year :	
Capital related liabilities	193,000
Non-capital related liabilities	5,967
Long-term liabilities, due beyond one year :	
Capital related liabilities	3,266,000
Non-capital related liabilities	113,379
Total Liabilities	<u>4,454,634</u>
Net Assets	
Invested in capital assets, net of related debt	8,773,439
Restricted net assets:	
Expendable:	
School-based activities	797,632
Debt service	619,437
Forestry improvements	120,414
Unemployment benefits	44,676
Non-expendable:	
Sixteenth section	853,150
Other	5,524
Unrestricted	2,925,192
Total Net Assets	<u>\$ 14,139,464</u>

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

SOUTH PIKE 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	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 10,014,873	122,312	2,996,120		(6,896,441)
Support services	6,784,076		1,205,189		(5,578,887)
Non-instructional	1,309,662	113,364	1,245,595		49,297
Sixteenth section	47,896	18,606			(29,290)
Interest on long-term liabilities	128,980				(128,980)
Total Governmental Activities	\$ 18,285,487	254,282	5,446,904	0	(12,584,301)

General Revenues:

Taxes:

General purpose levies 3,713,336

Debt purpose levies 234,510

Unrestricted grants and contributions:

State 8,425,418

Federal 711,402

Unrestricted investment earnings 234,319

Sixteenth section sources 210,026

Other 94,323

Total General Revenues 13,623,334

Change in Net Assets 1,039,033

Net Assets - Beginning, as originally reported 13,105,990

Prior Period Adjustments (5,559)

Net Assets - Beginning, as restated 13,100,431

Net Assets - Ending \$ 14,139,464

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

SOUTH PIKE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2010

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Child Nutrition Fund	Three Mill Note Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 2,557,240	384,049	1,793,447	632,045	1,401,587	6,768,368
Cash with fiscal agents					880	880
Investments					346,827	346,827
Due from other governments	170,294				605,972	776,266
Due from other funds	674,885	4,291				679,176
Advance to other funds				315,000		315,000
Inventories		47,923				47,923
Total assets	\$ 3,402,419	436,263	1,793,447	947,045	2,355,266	8,934,440
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 177,545	5,897	384,944		220,077	788,463
Due to other funds	11	300,000			364,308	664,319
Advances from other funds	315,000					315,000
Unearned revenue					55,328	55,328
Total Liabilities	492,556	305,897	384,944	0	639,713	1,823,110
Fund Balances:						
Reserved for						
Advances				315,000		315,000
Inventory		47,923				47,923
Capital projects			1,408,503		184,959	1,593,462
Debt service					651,934	651,934
Unemployment benefits					44,676	44,676
Forestry improvement purposes					120,414	120,414
Permanent fund purposes				538,150	5,524	543,674
Unreserved						
Undesignated, reported in:						
General Fund	2,909,863					2,909,863
Special Revenue Funds		82,443			667,266	749,709
Capital Projects Funds					40,780	40,780
Permanent Funds				93,895		93,895
Total Fund Balances	2,909,863	130,366	1,408,503	947,045	1,715,553	7,111,330
Total Liabilities and Fund Balances	\$ 3,402,419	436,263	1,793,447	947,045	2,355,266	8,934,440

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

SOUTH PIKE 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 Balances - Governmental Funds	\$ 7,111,330
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,182,048.	10,638,977
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,578,346)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(32,497)
Total Net Assets - Governmental Activities	\$ <u>14,139,464</u>

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

SOUTH PIKE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Child Nutrition Fund	Three Mill Loan Fund	Sixteenth Section Principal Fund			
Revenues:							
Local sources	\$ 3,613,185	130,317	69,317			619,786	4,432,605
Intermediate sources						38,071	38,071
State sources	8,483,998	12,094				667,242	9,163,334
Federal sources	75,974	1,088,847				4,255,569	5,420,390
Sixteenth section sources				72,022		198,098	270,120
Total Revenues	12,173,157	1,231,258	69,317	72,022		5,778,766	19,324,520
Expenditures:							
Instruction	6,067,773					3,989,902	10,057,675
Support services	4,967,273	96,345	17,527			1,295,927	6,377,072
Noninstructional services		1,078,011				202,138	1,280,149
Sixteenth section						47,896	47,896
Facilities acquisition and construction	808,587		1,801,536			15,248	2,625,371
Debt service:							
Principal	18,983					291,000	309,983
Interest	14,735					144,733	159,468
Other						650	650
Total Expenditures	11,877,351	1,174,356	1,819,063	0		5,987,494	20,858,264
Excess (Deficiency) of Revenues over (under) Expenditures	295,806	56,902	(1,749,746)	72,022		(208,728)	(1,533,744)
Other Financing Sources (Uses):							
Operating transfers in	221,319					567,394	788,713
Payments held by escrow agent						175,000	175,000
Other financing sources						650	650
Operating transfers out	(359,394)					(429,319)	(788,713)
Payment to QZAB debt escrow agent	(175,000)						(175,000)
Other financing uses	(650)						(650)
Total Other Financing Sources (Uses)	(313,725)	0	0	0		313,725	0
Net Change in Fund Balances	(17,919)	56,902	(1,749,746)	72,022		104,997	(1,533,744)
Fund Balances							
July 1, 2009, as originally reported	2,960,598	76,531	3,158,249	875,023		1,583,299	8,653,700
Prior period adjustments	(32,816)					27,257	(5,559)
July 1, 2009, as restated	2,927,782	76,531	3,158,249	875,023		1,610,556	8,648,141
Increase (Decrease) in reserve for inventory		(3,067)					(3,067)
June 30, 2010	\$ 2,909,863	130,366	1,408,503	947,045		1,715,553	7,111,330

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

SOUTH PIKE 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 Balances - Governmental Funds	\$ (1,533,744)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$3,049,131 and the depreciation expense amounted to \$790,286.	2,258,845
3. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	309,983
5. 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.	31,138
6. 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.	(27,987)
7. 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.	(3,067)
8. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	3,865
Change in Net Assets of Governmental Activities	\$ <u><u>1,039,033</u></u>

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

SOUTH PIKE SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2010

Exhibit E

		Agency Funds
Assets		
Cash and cash equivalents	\$	<u>1,046,737</u>
Total Assets	\$	<u><u>1,046,737</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	992,171
Due to other funds		14,857
Due to student clubs		<u>39,709</u>
Total Liabilities	\$	<u><u>1,046,737</u></u>

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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

(I) 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 5 member board to which each member is elected by the citizens of each defined county district.

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

B. 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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. 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.

Child Nutrition Fund - This fund accounts for the Child Nutrition local, state and federal revenues that are received and the expenses associated with Child Nutrition.

Three Mill Loan Fund - This fund accounts for the revenues and expenditures associated with funding for the three mill note.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for 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.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

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.

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

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

E. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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."

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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

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, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

7. Compensated Absences

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

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

8. Long-term Liabilities, 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 advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

component of net current assets.

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.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

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 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 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.

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 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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

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 \$ 6,768,368 and 1,046,737, respectively. The bank balance was \$7,942,585.

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. As of June 30, 2010, none of the district's bank balance of \$7,942,585 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$880.

Investments

As of June 30, 2010, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U. S. Government securities	Not rated	Less than one year	\$ 346,827
Total			<u>\$ 346,827</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

policy that addresses custodial credit risk.

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 To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Child nutrition fund	\$ 300,000
	Other governmental funds	360,028
	Fiduciary funds	14,857
Child nutrition fund	Other governmental funds	4,280
	General fund	11
Total		\$ <u>679,176</u>

The purpose of the inter-fund receivables and payables are to close out federal program funds at year end. All inter-fund receivables and payables are expected to be repaid within one year.

B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
16th Section Principal Fund	General Fund	\$ 315,000
Total		\$ <u>315,000</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on Exhibit D.

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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 45,000	12,600	57,600
2012	45,000	10,800	55,800
2013	45,000	9,000	54,000
2014	45,000	7,200	52,200
2015	45,000	5,400	50,400
2016 - 2017	90,000	5,400	95,400
			-
Total	\$ 315,000	50,400	365,400

C. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 359,394
Other governmental funds	General Fund	221,319
	Other governmental funds	208,000
Total		\$ 788,713

The purposes of inter-fund transfers are to transfer federal program indirect costs to the General fund and to close out federal programs at year end. These transfers are consistent with the activities of the fund making the transfer.

(4) Restricted Assets

The restricted assets represent the cash balance totaling \$ 632,045 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash and investment balance, totaling \$880 and \$346,827, respectively, of the QZAB Bond Retirement Fund.

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

(5) Capital Assets

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

	Balance 7-1-2009	Additions	Retirements	Adjustments	Balance 6-30-2010
Governmental Activities					
Non-depreciable capital assets:					
Land	\$ 288,642	55,944			\$ 344,586
Construction in progress	2,000	1,841,284			1,843,284
Total non-depreciable capital assets	<u>290,642</u>	<u>1,897,228</u>	<u>0</u>	<u>0</u>	<u>2,187,870</u>
Depreciable capital assets:					
Buildings	8,291,683				8,291,683
Building improvements	991,184	728,143		175,000	1,894,327
Improvements other Than buildings	66,470				66,470
Mobile equipment	2,485,012	234,500	176,690		2,542,822
Furniture and equipment	2,861,353	189,260	212,760		2,837,853
Leased property under capital leases	175,000			(175,000)	
Total depreciable capital Assets	<u>14,870,702</u>	<u>1,151,903</u>	<u>389,450</u>	<u>0</u>	<u>15,633,155</u>
Less accumulated depreciation for:					
Buildings	(3,138,750)	(147,790)			(3,286,540)
Building improvements	(198,237)	(75,773)		(35,000)	(309,010)
Improvements other Than buildings	(39,882)	(2,659)			(42,541)
Mobile equipment	(1,225,410)	(206,137)	150,831		(1,280,716)
Furniture and equipment	(2,115,946)	(357,927)	210,632		(2,263,241)
Leased property under capital leases	(35,000)			35,000	0
Total accumulated depreciation	<u>(6,753,225)</u>	<u>(790,286)</u>	<u>361,463</u>	<u>0</u>	<u>(7,182,048)</u>
Total depreciable capital assets, net	<u>8,117,477</u>	<u>361,617</u>	<u>27,987</u>	<u>0</u>	<u>8,451,107</u>
Governmental activities capital assets, net	<u>\$ 8,408,119</u>	<u>2,258,845</u>	<u>27,987</u>	<u>0</u>	<u>\$ 10,638,977</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 177,879
Support services	555,798
Non-instructional	56,609
Total Depreciation Expense	<u>\$ 790,286</u>

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

Commitments under construction contracts at June 30, 2010, are summarized as follows:

	Spent to June 30, 2010	Remaining Commitment
Governmental Activities:		
Eva Gordon Clinic	\$ 39,747	53,979
Junior High Building	1,803,536	1,217,711
Total	<u>1,843,283</u>	<u>1,271,690</u>

Construction projects included in governmental activities are funded with General funds and Three mill loan funds.

(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	Adjustments	Balance 6/30/2010	Amounts due within one year
A. Three mill notes payable	3,250,000		291,000		2,959,000	193,000
B. Obligations under capital leases	18,983		18,983		-	-
C. QZAB	500,000				500,000	-
D. Compensated absences payable	123,211		3,865		119,346	5,967
Total	<u>\$ 3,892,194</u>	<u>-</u>	<u>313,848</u>	<u>-</u>	<u>3,578,346</u>	<u>198,967</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount
Limited tax notes Series 2008	3.695%	12/19/2008	9/15/2023	3,250,000	2,959,000
Total				<u>\$ 3,250,000</u>	<u>2,959,000</u>

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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

Year Ending June 30	Principal	Interest	Total
2011	\$ 193,000	105,769	298,769
2012	200,000	98,509	298,509
2013	208,000	90,971	298,971
2014	215,000	83,156	298,156
2015	223,000	75,063	298,063
2016 – 2020	1,100,000	252,738	1,352,738
2021 – 2025	820,000	53,947	873,947
Total	\$ 2,959,000	760,153	3,719,153

This debt will be retired from the three mill loan fund.

B. Obligations under capital leases

The school district had entered into a lease agreement as lessee for financing the acquisition of Equipment at a cost of \$175,000. This lease qualifies as a capital lease for accounting purposes. This lease was paid in full during the fiscal year.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under capital leases	3.53%	8/31/2004	9/10/2009	\$ 175,000	-
Total				\$ 175,000	-

C. Qualified zone academy bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds	0.00%	1/15/2005	10/13/2014	\$ 500,000	500,000
Total				\$ 500,000	500,000

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

D. 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.

(7) Other Commitments

Commitments under construction contracts are described in Note 5.

(8) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 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 \$1,234,212, \$1,270,492 and \$1,278,353, respectively, which equaled the required contributions for each year.

(9) Sixteenth Section Lands

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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

Year Ending June 30	Amount
2011	\$ 44,538
2012	33,157
2013	20,320
2014	6,386
2015	5,382
2016 – 2020	26,316
2021 – 2025	25,386
2026 – 2030	25,111
2031 – 2035	24,928
Total	\$ 211,524

(10) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation(s)	Amount
1. Reclassification of an expense	\$ (5,559)
Total	\$ (5,559)

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

Fund	Explanation(s)	Amount
General Fund	Reclassification of expense	\$ (32,816)
Other governmental funds	Reclassification of expense	27,257
Total		\$ (5,559)

(11) Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district. As of June 30, 2010, the single audit performed on these federal grants disclosed an instance of noncompliance that is not considered to be material, as reported in the Schedule of Findings and Questioned Costs. Any disallowance by the grantor agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

SOUTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

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

(12) 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.

(14) 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 Trustmark National Bank and Hancock Bank, has entered into such an arrangement dated January 15, 2005.

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 October 16, 2014. The amount on deposit at June 30, 2010 was \$347,707. 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.

<u>Year Ending June 30</u>	<u>Amount</u>
2011	<u>74,475</u>
Total	<u>\$ 74,475</u>

SOUTH PIKE SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2010**

(16) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the South Pike School District evaluated the activity of the district through December 13, 2011, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

SOUTH PIKE SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

SOUTH PIKE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 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
Revenues:					
Local sources	\$ 3,439,950	3,598,328	3,613,185	158,378	14,857
State sources	9,796,970	8,483,998	8,483,998	(1,312,972)	0
Federal sources	192,817	75,974	75,974	(116,843)	0
Total Revenues	13,429,737	12,158,300	12,173,157	(1,271,437)	14,857
Expenditures:					
Instruction	7,084,893	6,090,697	6,067,773	994,196	22,924
Support services	5,998,211	4,982,010	4,967,273	1,016,201	14,737
Facilities acquisition and construction		808,587	808,587	(808,587)	0
Debt service:					
Principal	78,718	18,983	18,983	59,735	0
Interest		14,735	14,735	(14,735)	0
Total Expenditures	13,161,822	11,915,012	11,877,351	1,246,810	37,661
Excess (Deficiency) of Revenues over (under) Expenditures	267,915	243,288	295,806	(24,627)	52,518
Other Financing Sources (Uses):					
Operating transfers in	2,582,345	2,407,805	221,319	(174,540)	(2,186,486)
Operating transfers out	(2,850,260)	(2,724,275)	(359,394)	125,985	2,364,881
Payment to refunded bond escrow agent			(175,000)	0	(175,000)
Other financing uses			(650)	0	(650)
Total Other Financing Sources (Uses)	(267,915)	(316,470)	(313,725)	(48,555)	2,745
Net Change in Fund Balances	0	(73,182)	(17,919)	(73,182) #	55,263
Fund Balances:					
July 1, 2009, as originally reported			2,960,598		
Prior period adjustments			(32,816)		
July 1, 2009, as restated			2,927,782		
Increase (Decrease) in reserve for inventory					
June 30, 2010			\$ 2,909,863		

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

SOUTH PIKE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Child Nutrition 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:					
Local sources	\$ 148,065	130,317	130,317	(17,748)	0
State sources		12,094	12,094	12,094	0
Federal sources	987,000	1,034,381	1,088,847	47,381	54,466
Total Revenues	<u>1,135,065</u>	<u>1,176,792</u>	<u>1,231,258</u>	<u>41,727</u>	<u>54,466</u>
Expenditures:					
Support services	100,986	96,345	96,345	4,641	0
Noninstructional services	1,034,079	1,023,545	1,078,011	10,534	(54,466)
Total Expenditures	<u>1,135,065</u>	<u>1,119,890</u>	<u>1,174,356</u>	<u>15,175</u>	<u>(54,466)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>0</u>	<u>56,902</u>	<u>56,902</u>	<u>56,902</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers in				0	0
Operating transfers out				0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>56,902</u>	<u>56,902</u>	<u>56,902</u>	<u>0</u>
Fund Balances:					
July 1, 2009			76,531		
Increase (Decrease) in reserve for inventory			<u>(3,067)</u>		
June 30, 2010			<u><u>130,366</u></u>		

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

SOUTH PIKE SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2010

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SOUTH PIKE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

SOUTH PIKE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Direct program:		
Emergency conservation program	10.054	20,043
Total direct programs		<u>20,043</u>
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	279,677
National school lunch program	10.555	809,169
Summer food service program for children	10.559	31,927
Total child nutrition cluster		<u>1,120,773</u>
Fresh fruit and vegetable program	10.582	18,567
ARRA-Child nutrition discretionary grants limited availability-Recovery Act	10.579	32,470
Total passed through Mississippi Department of Education		<u>1,171,810</u>
Total U.S. Department of Agriculture		<u>1,191,853</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	19,359
Total Federal Communications Commission		<u>19,359</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I cluster:		
Title I - grants to local educational agencies	84.010	1,588,039
ARRA-Title I grants to local educational agencies-Recovery Act	84.389	385,878
Total Title I cluster		<u>1,973,917</u>
Career and technical education-basic grants to states	84.048	35,263
Safe and drug-free schools and communities - state grants	84.186	9,573
Education for homeless children and youth	84.196	13,607
Twenty-first century community learning centers	84.287	228,354
State Grants for innovative programs	84.298	1,569
Education Technology State Grants	84.318	36,955
Rural education	84.358	26,344
Reading first state grants	84.357	124,328
Improving teacher quality - state grants	84.367	230,931
School improvement grants	84.377	50,746
ARRA-State fiscal stabilization fund-Recovery Act	84.394	672,000
ARRA-Education of homeless children and youth-Recovery Act	84.387	12,548
Total		<u>1,442,218</u>
Special education cluster:		
Special education - grants to states	84.027	371,655
Special education - preschool grants	84.173	21,561
ARRA-Special Education-grants to states-Recovery Act	84.391	305,257
ARRA-Special Education-preschool grants-Recovery Act	84.392	16,867
Total		<u>715,340</u>

SOUTH PIKE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For Year Ended June 30, 2010

Total passed-through Mississippi Department of Education		4,131,475
Total U.S. Department of Education		<u>4,131,475</u>
<u>U. S. Department of Health and Human Services</u>		
Passed through Mississippi Department of Health and Human Services:		
Medical assistance program	93.778	18,089
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	3,000
Total U. S. Department of Health and Human Services		<u>21,089</u>
<u>Other Federal Assistance</u>		
Department of Defense		
Direct program:		
Reserve Officers' Training Corps	12.XXX	56,615
Total Other Federal Assistance		<u>56,615</u>
Total for All Federal Awards		<u>\$ 5,420,391</u>

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 financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

SOUTH PIKE SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2010

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 13,895,832	10,138,372	681,246	805,576	2,270,638
Other	6,962,432	1,682,576	134,314	12,072	5,133,470
Total	\$ 20,858,264	11,820,948	815,560	817,648	7,404,108
Total number of students*	1,941				
Cost per student	\$ 10,746	6,090	420	421	3,815

NOTES TO 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.

SOUTH PIKE SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SOUTH PIKE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 3,613,185	3,435,164	3,117,427	3,199,000
State sources	8,483,998	9,389,473	9,329,889	8,873,311
Federal sources	75,974	1,227,558	223,890	694,988
Total Revenues	<u>12,173,157</u>	<u>14,052,195</u>	<u>12,671,206</u>	<u>12,767,299</u>
Expenditures:				
Instruction	6,067,773	7,034,880	7,162,589	7,172,797
Support services	4,967,273	6,489,738	5,430,529	5,917,334
Noninstructional services			145	56
Facilities acquisition and construction	808,587			512,685
Debt service:				
Principal	18,983	36,983	35,711	34,483
Interest	14,735	17,852	20,924	4,152
Total Expenditures	<u>11,877,351</u>	<u>13,579,453</u>	<u>12,649,898</u>	<u>13,641,507</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>295,806</u>	<u>472,742</u>	<u>21,308</u>	<u>(874,208)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries		18,094		
Sale of transportation equipment				1,427
Sale of other property				31,033
Operating transfers in	221,319	406,649	420,979	662,145
Operating transfers out	(359,394)	(77,621)	(713,509)	(1,184,230)
Payment to refunded bond escrow agent	(175,000)			
Other financing uses	(650)	(8,082)		
Total Other Financing Sources (Uses)	<u>(313,725)</u>	<u>339,040</u>	<u>(292,530)</u>	<u>(489,625)</u>
Net Change in Fund Balances	<u>(17,919)</u>	<u>811,782</u>	<u>(271,222)</u>	<u>(1,363,833)</u>
Fund Balances:				
Beginning of period, as originally reported	2,960,598	2,143,009	2,414,231	3,778,064
Prior period adjustments	(32,816)	5,807		
Beginning of period, as restated	<u>2,927,782</u>	<u>2,148,816</u>	<u>2,414,231</u>	<u>3,778,064</u>
End of Period	<u>\$ 2,909,863</u>	<u>2,960,598</u>	<u>2,143,009</u>	<u>2,414,231</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

SOUTH PIKE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 4,432,605	4,323,161	3,939,346	4,057,677
Intermediate sources	38,071	83,372		
State sources	9,163,334	9,986,178	10,360,505	9,514,331
Federal sources	5,420,390	5,598,237	4,445,144	4,314,278
Sixteenth section sources	270,120	783,246	213,238	189,050
Total Revenues	<u>19,324,520</u>	<u>20,774,194</u>	<u>18,958,233</u>	<u>18,075,336</u>
Expenditures:				
Instruction	10,057,675	9,911,274	10,215,686	9,296,692
Support services	6,377,072	8,295,397	6,713,200	8,399,167
Noninstructional services	1,280,149	1,301,278	1,231,526	1,130,362
Sixteenth section	47,896	47,223	21,204	82,754
Facilities acquisition and construction	2,625,371	2,000	462,952	983,986
Debt service:				
Principal	309,983	246,396	365,081	348,917
Interest	159,468	23,452	36,478	29,529
Other	650	650	1,307	1,935
Total Expenditures	<u>20,858,264</u>	<u>19,827,670</u>	<u>19,047,434</u>	<u>20,273,342</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,533,744)</u>	<u>946,524</u>	<u>(89,201)</u>	<u>(2,198,006)</u>
Other Financing Sources (Uses):				
Proceeds of loans		3,250,000		
Insurance loss recoveries		18,094		22,506
Sale of transportation equipment				1,427
Sale of other property				31,033
Operating transfers in	788,713	867,564	1,134,488	2,570,217
Payments held by escrow agent	175,000	35,000	35,650	35,650
Other financing sources	650			
Operating transfers out	(788,713)	(867,564)	(1,134,488)	(2,570,217)
Payment to refunded bond escrow agent	(175,000)	(35,000)	(35,650)	(35,650)
Other financing uses	(650)	(8,082)		
Total Other Financing Sources (Uses)	<u>0</u>	<u>3,260,012</u>	<u>0</u>	<u>54,966</u>
Net Change in Fund Balances	<u>(1,533,744)</u>	<u>4,206,536</u>	<u>(89,201)</u>	<u>(2,143,040)</u>
Fund Balances:				
Beginning of period, as originally reported	8,653,700	4,438,225	4,528,019	6,651,790
Prior period adjustments	(5,559)	(3,203)	(5,631)	
Beginning of period, as restated	<u>8,648,141</u>	<u>4,435,022</u>	<u>4,522,388</u>	<u>6,651,790</u>
Increase (Decrease) in reserve for inventory	<u>(3,067)</u>	<u>12,142</u>	<u>5,038</u>	<u>19,269</u>
End of Period	<u>\$ 7,111,330</u>	<u>8,653,700</u>	<u>4,438,225</u>	<u>4,528,019</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

PATRICK E. LOWERY AND ASSOCIATES

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

Superintendent and School Board
South Pike School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Pike School District as of and for the year ended June 30, 2010, which collectively comprise South Pike School District's basic financial statements and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance or other matter that we reported to management of the school district in a separate letter dated December 13, 2011, which is included in this report.

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.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

December 13, 2011

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INDEPENDENT AUDITOR'S REPORT

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

Superintendent and School Board
South Pike School District

Compliance

We have audited South Pike School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Pike School District's major federal programs for the year ended June 30, 2010. The South Pike School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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. Our responsibility is to express an opinion on the South Pike School District's compliance based on our audit.

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

In our opinion, South Pike 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2010-2.

Internal Control Over Compliance

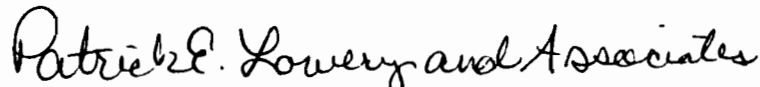
Management of South Pike School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered South Pike School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our 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, we 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-01 and 2010-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

South Pike School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit South Pike School District's responses and, accordingly, we express no opinion on them.

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


Patrick E. Lowery and Associates

December 13, 2011

SOUTH PIKE SCHOOL DISTRICT

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

PATRICK E. LOWERY AND ASSOCIATES

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

Superintendent and School Board
South Pike School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Pike School District as of and for the year ended June 30, 2010, which collectively comprise South Pike School District's basic financial statements and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$4,475 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 our 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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

I. Forms 4B should be reviewed for maximum eligible pay for retired employees

Finding

The Mississippi Public Employees Retirement System(PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Cod Ann. (1972), school districts hiring PERS service retirees not to exceed the maximum earnings calculated on Form 4B.

During our testing of internal controls related to payroll expenditures, it was noted the district did exceed the maximum earnings allowed paid to two PERS service retirees.

Lack of internal controls related to the payroll cycle resulted in these two employees being paid wages in excess of the allowable amount.

The retirees' retirement income could be affected by the district exceeding the maximum earnings amount calculated on Form 4B.

Recommendation

We recommend the district implement procedures to ensure that the district does not exceed the allowable wages possible for a retiree to earn each year as calculated on the Form 4B.

District's Response

All PERS retirees are required to complete Form 4B, which documents the total earnings the retiree may earn from any governmental entity during the year. In April of each year, we will send each retiree their earnings to date and remind them of their maximum earnings amount for the year. It will be their responsibility to discuss their work schedule with their Principal/Supervisor.

We will review on the subsequent year's audit engagement the finding in this report to insure that corrective action has been taken.

The South Pike School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

December 13, 2011

SOUTH PIKE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH PIKE SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Noncompliance material to financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | 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 weakness identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Child Nutrition Cluster | |
| | CFDA #10.553-National School Breakfast Program | |
| | CFDA #10.555-National School Lunch Program | |
| | CFDA #10.559-Summer Food Service Program for Children | |
| b. | ARRA-State fiscal stabilization fund-Recovery Act | |
| | CFDA #84.394 | |
| c. | Title I Cluster- | |
| | CFDA #84.010-Title I grants to local educational agencies | |
| | CFDA#84.389-ARRA-Title I grants to local educational agencies-Recovery Act | |

SOUTH PIKE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

d. Special Education Cluster-

CFDA#84.027-Special Education-grants to states

CFDA#84.173-Special Education-preschool grants

CFDA#84.391-ARRA-Special Education-grants to states-Recovery Act

CFDA#84.392-ARRA-Special Education-preschool grants-Recovery Act

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualified as low-risk auditee? No

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies not Considered to be Material Weaknesses and Compliance Findings

2010-1. Finding

Programs: Title I Cluster-Grants to Local Educational Agencies

CFDA #s: 84.010 & 84.389

Special Education Cluster-IDEA

CFDA #s: 84.027, 84.173, 84.391 & 84.392

U. S. Department of Education; passed through the Mississippi Department Of Education

Compliance Requirement: Procurement and Suspension and Debarment

Questioned Cost: -0-

OMB requires the entity to verify contractors are not suspended or debarred from doing business with the federal government by determining a contractor is not listed on the General Service Administration's Excluded Parties List System (EPLS) available at <http://epls.arnet.gov>. The entity did not perform this verification prior to doing business with Waters Truck & Tractor and Talent Assessment; however we verified that these two vendors were not listed on the EPLS website.

The district's internal control system was not adequate to ensure that the entity was verifying consultants and vendors are not suspended or debarred by confirming the entities are not listed on the EPLS website.

SOUTH PIKE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Recommendation

The district should develop an internal control system that ensures the entity verifies consultants and vendors are not suspended or debarred by confirming the entities are not listed on the EPLS website.

2010-2.

Finding

Program: Child Nutrition Cluster

CFDA #s: 10.553-National school breakfast program

10.555-National school lunch program

10.559-Summer food service program for children

Compliance Requirement: Cash Management

Questioned Cost: \$8,700

The district personnel entered an incorrect figure for reimbursements in May 2010 for the school breakfast program, free meals reimbursements. The actual number of free breakfast meals served at South Pike High School for the month was 3,722. The meal count entered on the OCEAN system for reimbursement for South Pike High School was 8,722. This caused the district to be over-reimbursed for 5,000 meals at the rate of \$1.74 per meal.

The district's internal control system was not adequate to ensure that the entity was entering correct meal counts on the OCEAN system for reimbursement.

Recommendation

The district should develop an internal control system that ensures the meal counts are entered correctly into the OCEAN system for reimbursement.

SOUTH PIKE SCHOOL DISTRICT

**AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR AUDIT FINDINGS**

South Pike School District

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Auditee's Corrective Action Plan

As required by Section ____ .315 (c) of OMB Circular A-133, the South Pike School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2010:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2010-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Kathy Albritton, Chief Financial Officer, 601-783-0430</p> <p>b. Corrective Action Planned:</p> <p>A search is performed on each vendor using the EPLS website prior to generating a purchase requisition to ensure that the vendors are not suspended or debarred. The search results are printed and attached to each purchase requisition for all federal purchases.</p> <p>c. Anticipated Completion Date:</p> <p>These procedures were implemented in February 2011 after attending MDE federal program training and learning of the requirement.</p>
2010-2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Carrie Christian, Child Nutrition Director, 601-783-0430</p> <p>b. Corrective Action Planned:</p> <p>Prior to submission, the Child Nutrition Director will ensure that the monthly reimbursement request is reviewed by another employee and that the reimbursement agrees to the actual number of meals served. The over-reimbursement of 5,000 meals was an unintentional keypunch error. The Mississippi Department of Education, Child Nutrition Office has been contacted concerning repayment of the 5,000 meals.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately</p>

South Pike School District

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Auditee's Summary of Prior Audit Findings

As required by Section ____ .315 (c) of OMB Circular A-133, the South Pike School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2010:

<u>Finding</u>	<u>Status</u>
2009-1	Equipment purchased through the Universal Service Fund is installed in a timely manner.