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**Indianola School District**  
Audited Financial Statements  
June 30, 2008

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Indianola School District  
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FINANCIAL AUDIT REPORT

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Indianola School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Indianola School District as of and for the year ended June 30, 2008, which collectively comprise the Indianola School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Indianola 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.

Indianola School District does not have in place a system in which bank reconciliations are performed in a timely manner. Neither accounts payable clearing nor payroll bank accounts were reconciled. The amount by which these accounts would affect the financial statements presentation is not reasonably determinable.

In our opinion, except for the effects of not reconciling the accounts as described in the preceding paragraph, 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 Indianola School District, as of June 30, 2008, 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 February 9, 2009 on our consideration of the Indianola 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.

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601) 992-5292

The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 44 through 46 are not a required part of the basic financial statements but are supplementary 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 supplementary 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 Indianola 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.

*FORTENBERRY & BALLARD, P.C.*

Fortenberry & Ballard, P.C.  
February 9, 2009

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**INDIANOLA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Indianola School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. 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 decreased \$1,036,656, including the effect of a prior period adjustment, which represents 14% decrease from fiscal year 2007.
- General revenues account for \$15,624,278 in revenue, or 77% of all revenues. This amount was less (amount wise) than the general revenues reported for the year 2007, which consisted of \$15,640,667 in revenue, or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,610,032 or 23% of total revenues compared with \$5,792,576 in 2007.
- The District had \$22,127,106 in expenses, an amount that increased when compared with the \$20,426,203 in expenses for the prior year; \$4,610,032 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$15,624,278 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,547,865 in revenues and \$16,150,383 in expenditures. In 2007 the General Fund had \$14,908,762 in revenues and \$14,691,817 in expenditures. The General Fund's fund balance decreased \$1,381,671, including the effect of a prior period adjustment, over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$952,024. The cause of this increase was mainly due to the recording of prior period adjustments.
- Long-term debt increased by \$390,420 mainly due to the issuance of an energy efficiency lease pertaining to an electronic monitoring system.

## OVERVIEW OF 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 supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

**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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

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 balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

**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. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities and Changes to the Fiduciary Net Assets on page 23 and 24.

**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 on pages 25-42 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary 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. This required supplementary information can be found on pages 44 - 46 of this report.

Additionally, a schedule of expenditures of federal awards, required by OMB Cir. A-133, a schedule of instructional, administrative, and other expenditures for governmental funds and statements of revenue, expenditures and changes in fund balances - last four years for the General Fund and All Governmental Funds can be found on pages 48, 49, 51, and 52 of this report.

## 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 \$6,462,252 as of June 30, 2008.

By far the largest portion of the District's net assets (99%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008, and 2007.

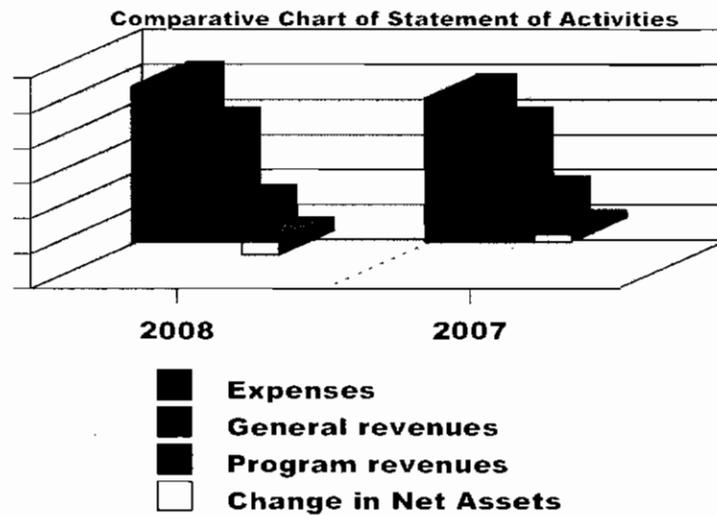
	2008	2007	Percentage Change
Current assets	\$ 3,856,843	3,865,498	0%
Capital assets, net	<u>11,408,660</u>	<u>10,456,636</u>	9%
Total	15,265,503	14,322,134	7%
Current liabilities	2,771,307	1,181,702	135%
Long-term debt	<u>6,031,944</u>	<u>5,641,524</u>	7%
Total liabilities	8,803,251	6,823,226	29%
Net assets:			
Invested in capital assets, net of related debt	6,408,660	4,911,636	30%
Restricted	1,510,956	1,639,775	-8%
Unrestricted	<u>(1,457,364)</u>	<u>947,497</u>	-254%
Total net assets	<u>\$ 6,462,252</u>	<u>7,498,908</u>	-14%

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

- The issuance of an energy efficiency lease in the amount of \$1,000,226.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$20,234,310. The total cost of all programs and services was \$22,127,106. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

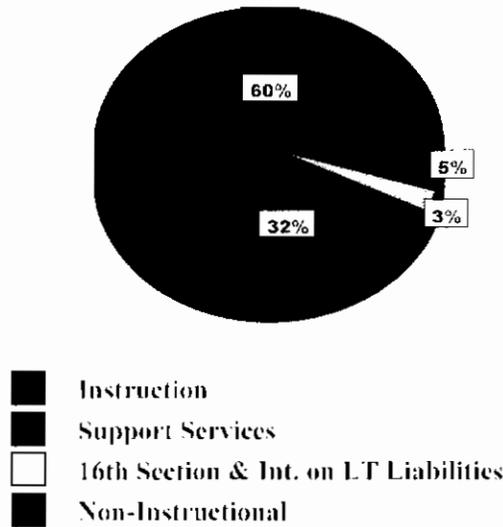
	<u>Year ended June 30, 2008</u>	<u>Year Ended June 30, 2007</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 531,329	653,275	-19%
Operating grants and contributions	3,972,052	5,032,645	-21%
Capital grants and contributions	<u>106,651</u>	<u>106,656</u>	0%
Total program revenues	4,610,032	5,792,576	-20%
Property taxes	2,616,419	2,513,126	4%
Grants and contributions not restricted	12,577,810	12,591,754	0%
Unrestricted investment earnings	134,146	152,164	-12%
Sixteenth section sources	121,667	114,923	6%
Other	<u>174,236</u>	<u>268,700</u>	-35%
Total general revenues	15,624,278	15,640,667	0%
<b>Total revenues</b>	<b>20,234,310</b>	<b>21,433,243</b>	<b>-6%</b>
<b>Expenses:</b>			
Instruction	13,350,272	10,450,821	28%
Support services	7,122,820	5,700,491	25%
Non-instructional	1,052,336	411,382	156%
Sixteenth section sources	10,537	8,404	25%
Interest on long-term debt	<u>591,141</u>	<u>3,855,105</u>	-85%
<b>Total expenses</b>	<b>22,127,106</b>	<b>20,426,203</b>	<b>8%</b>
<b>Increase (decrease) in net assets</b>	<b>(1,892,796)</b>	<b>1,007,040</b>	<b>-288%</b>
Net Assets, July 1	7,498,908	6,491,868	16%
Prior Period Adjustment	<u>856,140</u>	<u>0</u>	
Net Assets, Restated	8,355,048	6,491,868	29%
Net Assets, June 30	<u>\$ 6,462,252</u>	<u>7,498,908</u>	-14%



**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 function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2008 Expenses	2007 Expenses	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
Instruction	\$ 13,350,272	10,450,821	(11,321,676)	(7,131,821)
Support services	7,122,820	5,700,491	(5,996,316)	(4,671,192)
Non-instructional	1,052,336	411,382	402,596	1,032,895
Sixteenth section	10,537	8,404	(10,537)	(8,404)
Interest on long-term liabilities	591,141	3,855,105	(591,141)	(3,855,105)
<b>Total Expenses</b>	<b>\$ 22,127,106</b>	<b>20,426,203</b>	<b>(17,517,074)</b>	<b>(14,633,627)</b>

Chart of Expenses as per Statement of Activities



- The net cost of governmental activities for fiscal year 2008 (\$17,517,074) was financed by general revenue, which is made up of primarily property taxes \$2,616,419, investment earnings \$134,146, sixteenth section sources \$121,667 and state revenues \$12,340,821.

### 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 \$1,122,398, a decrease of \$1,634,257, including the effect of prior period adjustments and the change in inventory.

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 \$1,381,671, including the effect of a prior period adjustment. The fund balance of Other Governmental Funds showed a decrease of \$252,586, including the a prior period adjustment and the change in inventory. The fund balance of the IDEA Part B Fund remained the same.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred.

Budget amounts for expenditures were adjusted to reflect actual expenditures.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount. Over the course of the year, the District revised the annual operating budget.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2008, the District's total capital assets were \$17,720,953, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$938,031 from the previous year. One major component of this increase was the adjustments made to capital assets. Total accumulated depreciation as of June 30, 2008 was \$6,312,293 and total depreciation expense for the year was \$427,549, resulting in total net capital assets of \$11,408,660.

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Land	\$ 351,254	351,254	0%
Buildings	10,244,461	9,560,782	7%
Improvements other than buildings	38,151	23,273	64%
Mobile equipment	410,226	487,268	-16%
Furniture and equipment	364,568	34,059	970%
<b>Total</b>	<b>\$ <u>11,408,660</u></b>	<b><u>10,456,636</u></b>	<b>9%</b>

**Debt Administration.** At June 30, 2008, the District had \$450,000 in general obligation bonds outstanding and \$5,581,944 other long-term debt outstanding, of which \$888,907 is due within one year.

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
General obligation bonds	\$ 450,000	915,000	-51%
Limited obligations payable	3,890,000	3,910,000	-1%
Three mill notes payable	660,000	720,000	-8%
Energy efficiency lease	944,122	0	100%
Compensated absences	87,822	96,524	-9%
<b>Total</b>	<b>\$ <u>6,031,944</u></b>	<b><u>5,641,524</u></b>	<b>7%</b>

Additional information of the District's long-term debt can be found in Note 6 on page 37 of this report.

### **CURRENT ISSUES**

The Indianola 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 system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

If you have questions about this report, contact the Superintendent's Office of the Indianola School District, Highway 82 E, Indianola, MS 38751.

## FINANCIAL STATEMENTS

# INDIANOLA SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 2,778,448
<i>Cash with fiscal agents</i>	53,937
<i>Due from other governments</i>	980,038
<i>Inventories</i>	18,398
<i>Restricted assets</i>	26,022
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	351,254
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	10,244,461
<i>Improvements other than buildings</i>	38,151
<i>Mobile equipment</i>	410,226
<i>Furniture and equipment</i>	364,568
<b>Total Assets</b>	<u>15,265,503</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	1,491,644
<i>Due to other governments</i>	9,504
<i>Unearned revenue</i>	1,233,297
<i>Interest payable on long-term liabilities</i>	36,862
<b>Long-term liabilities (due within one year):</b>	
<i>Capital related liabilities</i>	840,000
<i>Non-capital related liabilities</i>	48,907
<b>Long-term liabilities (due beyond one year)</b>	
<i>Capital related liabilities</i>	4,160,000
<i>Non-capital related liabilities</i>	983,037
<b>Total Liabilities</b>	<u>8,803,251</u>
<b>NET ASSETS</b>	
<i>Invested in Capital Assets, Net of Related Debt</i>	6,408,660
<b>Restricted Net Assets:</b>	
<b>Expendable:</b>	
<i>School-based activities</i>	1,021,492
<i>Debt service</i>	405,707
<i>Unemployment benefits</i>	57,735
<i>Sixteenth section</i>	26,022
<i>Unrestricted</i>	(1,457,364)
<b>Total Net Assets</b>	<u>\$ 6,482,252</u>

The accompanying notes are an integral part of this statement.

**INDIANOLA SCHOOL DISTRICT**  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					<b>Governmental Activities</b>
<i>Instruction</i>	13,350,272	362,063	1,559,882	106,651	(11,321,676)
<i>Support services</i>	7,122,820	--	1,126,504	--	(5,996,316)
<i>Noninstructional services</i>	1,052,336	169,266	1,285,666	--	402,596
<i>Sixteenth section</i>	10,537	--	--	--	(10,537)
<i>Interest on long-term liabilities</i>	591,141	--	--	--	(591,141)
<b>Total Governmental Activities</b>	<b>\$ 22,127,106</b>	<b>\$ 531,329</b>	<b>\$ 3,972,052</b>	<b>\$ 106,651</b>	<b>(17,517,074)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
<i>General purpose levies</i>					2,131,719
<i>Debt purpose levies</i>					484,700
<b>Unrestricted grants and contributions:</b>					
<i>State</i>					12,340,821
<i>Federal</i>					236,989
<i>Unrestricted investment earnings</i>					134,146
<i>Sixteenth section sources</i>					121,667
<i>Other</i>					174,236
<b>Total general revenues</b>					<b>15,624,278</b>
<b>Change in Net Assets</b>					<b>(1,892,796)</b>
<b>Net Assets - Beginning</b>					<b>7,498,908</b>
<b>Prior Period Adjustment</b>					<b>856,140</b>
<b>Net Assets - Restated</b>					<b>8,355,048</b>
<b>Net Assets - Ending</b>					<b>\$ 6,462,252</b>

The accompanying notes are an integral part of this statement.

**INDIANOLA SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General Fund	IDEA Part B Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
<i>Cash and cash equivalents</i>	\$ 1	\$ 573,589	\$ 2,230,880	\$ 2,804,470
<i>Cash with fiscal agents</i>	--	--	53,937	53,937
<i>Due from other governments</i>	240,844	--	580,987	821,831
<i>Due from other funds</i>	722,819	--	86,307	809,126
<i>Inventories</i>	--	--	18,398	18,398
<b>Total Assets</b>	<b>\$ 963,864</b>	<b>\$ 573,589</b>	<b>\$ 2,970,609</b>	<b>\$ 4,507,762</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts payable and accrued liabilities</i>	\$ 1,389,084	\$ 13,929	\$ 88,631	\$ 1,491,644
<i>Due to other funds</i>	--	20,164	640,259	660,423
<i>Unearned revenue</i>	--	539,496	693,801	1,233,297
<b>Total Liabilities</b>	<b>1,389,084</b>	<b>573,589</b>	<b>1,422,691</b>	<b>3,385,364</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
<i>Inventory</i>	--	--	18,398	18,398
<i>Unemployment benefits</i>	--	--	57,735	57,735
<i>Debt service funds</i>	--	--	442,569	442,569
<i>Permanent funds</i>	--	--	26,022	26,022
<b>Unreserved, undesignated, reported in:</b>				
<i>General fund</i>	(425,420)	--	--	(425,420)
<i>Special Revenue funds</i>	--	--	1,003,094	1,003,094
<b>Total Fund Balances</b>	<b>(425,420)</b>	<b>--</b>	<b>1,547,818</b>	<b>1,122,398</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 963,864</b>	<b>\$ 573,589</b>	<b>\$ 2,970,609</b>	<b>\$ 4,507,762</b>

The accompanying notes are an integral part of this statement.

**INDIANOLA SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008*

Total fund balances - governmental funds balance sheet	\$ 1,122,398
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	11,408,660
Liabilities due in one year are not recorded in the funds but are recognized in the SNA.	(888,907)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,565,000)
Payables for leases which are not due in the current period are not reported in the funds.	(895,215)
Payables for bond interest which are not due in the current period are not reported in the funds.	(36,862)
Payables for notes which are not due in the current period are not reported in the funds.	(595,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(87,822)
	<u>6,462,252</u>
Net assets of governmental activities - statement of net assets	\$ <u>6,462,252</u>

The accompanying notes are an integral part of this statement.

**INDIANOLA SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	IDEA Part B Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>				
<i>Local sources</i>	\$ 2,606,052	\$ --	\$ 810,156	\$ 3,416,208
<i>State sources</i>	11,908,846	--	888,343	12,797,189
<i>Federal sources</i>	32,967	674,413	3,129,616	3,836,996
<i>Sixteenth section sources</i>	--	--	121,667	121,667
<b>Total revenues</b>	<u>14,547,865</u>	<u>674,413</u>	<u>4,949,782</u>	<u>20,172,060</u>
<b>Expenditures:</b>				
Instruction	10,404,220	503,691	2,131,147	13,039,058
Support services	5,728,577	147,796	1,160,937	7,037,310
Noninstructional services	14,897	--	1,317,348	1,332,245
Sixteenth section	--	--	10,537	10,537
Facilities acquisition and construction	2,689	--	--	2,689
Debt service:				
<i>Principal</i>	--	--	601,104	601,104
<i>Interest</i>	--	--	448,128	448,128
<i>Other</i>	--	--	179,010	179,010
<b>Total expenditures</b>	<u>16,150,383</u>	<u>651,487</u>	<u>5,848,211</u>	<u>22,650,081</u>
Excess (deficiency) of revenues (over) expenditures	(1,602,518)	22,926	(898,429)	(2,478,021)
<b>Other financing sources (uses):</b>				
Inception of capital leases	1,000,226	--	--	1,000,226
Insurance loss recoveries	58,901	--	--	58,901
Transfers in	22,926	--	992,717	1,015,643
Other financing sources	--	--	3,349	3,349
Transfers out	(655,028)	(22,926)	(337,689)	(1,015,643)
Other financing uses	(20,632)	--	--	(20,632)
<b>Total other financing sources (uses)</b>	<u>406,393</u>	<u>(22,926)</u>	<u>658,377</u>	<u>1,041,844</u>
Net change in fund balance	(1,196,125)	--	(240,052)	(1,436,177)
<b>Fund Balances:</b>				
July 1, 2008	956,251	--	1,800,404	2,756,655
Prior period adjustments	(185,546)	--	--	(185,546)
July 1, 2008 as restated	<u>770,705</u>	<u>--</u>	<u>1,800,404</u>	<u>2,571,109</u>
Increase (decrease) in reserve for inventory	--	--	(12,534)	(12,534)
<b>June 30, 2009</b>	<u>\$ (425,420)</u>	<u>\$ --</u>	<u>\$ 1,647,818</u>	<u>\$ 1,122,398</u>

The accompanying notes are an integral part of this statement.

**INDIANOLA SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$ (1,436,177)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	337,887
The depreciation of capital assets used in governmental activities is not reported in the funds.	(427,549)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	485,000
Repayment of lease principal is an expenditure in the funds but is not an expense in the SOA.	56,104
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	60,000
(Increase) decrease in accrued interest from beginning of period to end of period	35,997
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	(12,534)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	8,702
Inception of leases do not provide revenue in SOA	<u>(1,000,226)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (1,892,796)</u>

The accompanying notes are an integral part of this statement.

**INDIANOLA SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2008**

	Agency Funds
<b>ASSETS</b>	
Assets:	
<i>Cash and other deposits</i>	\$ 1,089,093
<i>Due from other funds</i>	9,504
<b>Total Assets</b>	<b>\$ 1,098,597</b>
 <b>LIABILITIES</b>	
Liabilities:	
<i>Accounts Payable &amp; Accrued Liabilities</i>	\$ 910,571
<i>Due to student clubs</i>	6,946
<i>Due to other funds</i>	158,207
<i>Other payables</i>	22,873
<b>Total Liabilities</b>	<b>\$ 1,098,597</b>

The accompanying notes are an integral part of this statement.

**INDIANOLA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ --
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Total Additions	<u>    --</u>
<b>Deductions:</b>	
Scholarship Awards	--
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>    --</u>
<b>Change in Net Assets</b>	<b>    --</b>
Net Assets-Beginning of the Year	16,463
Prior Period Adjustment	<u>(16,463)</u>
Net Assets-Restated	--
Net Assets-End of the Year	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**Notes to the Financial Statements**

For the year ended  
June 30, 2008

## Indianola School District

Notes to the Financial Statements  
For the Year Ended June 30, 2008

### (1) Summary of Significant Accounting Policies.

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

#### A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Indianola since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Indianola 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 Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund 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 relay to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary 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 for bonds, notes,

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

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 is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly 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 as 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.

IDEA Part B Fund - This fund is used to account for the financial resources of the school's program to assist them in providing a free appropriate public education to all children with disabilities.

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

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the Agency Funds, which do not measure result of operations but rather report resources held by the district in a custodial capacity.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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.

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 assets held by the governmental unit where only the earnings the assets generate may be used by the governmental unit.

#### FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

## Indianola School District

Notes to the Financial Statements  
For the Year Ended June 30, 2008

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 tax, 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 authorities of the city 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 acquisition and construction are reflected as expenditures in the 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 interfund activity has been eliminated from the government-wide statements.

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

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

#### D. Account Classifications.

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

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

#### 2. Receivables and payables

Activity 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 interfund loans) or "advances to/from funds" (i.e., the non-current portion of intefund loans). All other outstanding balances between funds are reported as "due to/from other funds".

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the non-expendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the Sixteenth Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

#### 6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental activities columns in the government-

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

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 following table and estimated useful lives in excess of two years.

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 those thresholds.

		Capitalization <u>Policy</u>	Estimated <u>Useful Life</u>
Land	\$	0	0
Buildings		50,000	40 years
Building improvements		25,000	20 years
Improvements other than buildings		25,000	20 years
Mobile equipment		5,000	5-10 years
Furniture and equipment		5,000	3-7 years
Leased property under capital leases		*	*

(\*) The threshold amounts 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 and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements,

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue costs, 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 further split between 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 is a description of fund reserves used by the district:

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

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

## Indianola School District

Notes to the Financial Statements  
For the Year Ended June 30, 2008

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 and cash with fiscal agents.

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

**Deposits.** The school board must advertise and accept bids for depositories no less than one every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' 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.

**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 \$2,804,470 and \$1,089,093 respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents \$2,778,448 and restricted assets \$26,022. The bank balance was \$3,493,256.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, 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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, \$217,566 of the district's bank balance of \$3,493,256 was exposed to custodial credit risk.

**Indianola School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2008

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$53,937.

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	IDEA Part B Fund	\$ 20,164
	Other Governmental Funds	627,429
	Agency Funds	75,226
Other Governmental Funds	Other Governmental Funds	3,326
	Agency Funds	82,981
Agency Funds	Other Governmental Funds	<u>9,504</u>
Total		<u>\$ 818,630</u>

Interfund loans exist primarily to avoid a deficit cash balance in federal funds. All balances are expected to be repaid within one year from the date of the financial statements.

B. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 655,028
Other Governmental Funds	Other Governmental Funds	337,689
IDEA Part B Fund	General Fund	<u>22,926</u>
Total		<u>\$ 1,015,643</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling \$26,022, of the Sixteenth Section Principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs.

(5) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Adjustments	Balance 6-30-2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 351,254				351,254
Total non-depreciable capital assets	<u>351,254</u>	0	0	0	<u>351,254</u>
<u>Depreciable capital assets:</u>					
Buildings	14,406,386			808,836	15,215,222
Improvements other than buildings	190,755				190,755
Mobile equipment	1,281,195	49,057		(240,369)	1,089,883
Furniture and equipment	553,332	288,830	45,783	77,460	873,839
Total depreciable capital assets	<u>16,431,668</u>	<u>337,887</u>	<u>45,783</u>	<u>645,927</u>	<u>17,369,699</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,845,604	284,198		(159,041)	4,970,761
Improvements other than buildings	167,482			(14,878)	152,604
Mobile equipment	793,927	46,242		(160,512)	679,657
Furniture and equipment	519,273	97,109	45,783	(61,328)	509,271
Total accumulated depreciation	<u>6,326,286</u>	<u>427,549</u>	<u>45,783</u>	<u>(395,759)</u>	<u>6,312,293</u>
Total depreciable capital assets, net	<u>10,105,382</u>	<u>(89,662)</u>	0	<u>1,041,686</u>	<u>11,057,406</u>
Governmental activities capital assets, net	<u>\$ 10,456,636</u>	<u>(89,662)</u>	<u>0</u>	<u>1,041,686</u>	<u>11,408,660</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 299,284
Support services	85,510
Non-instructional	<u>42,755</u>
Total depreciation expense	<u>\$ 427,549</u>

The auditor's opinion was disclaimed in the prior year, as such adjustments to capital assets had to be made to accurately reflect the capital assets balances as of the end of the fiscal year.

## Indianola School District

Notes to the Financial Statements  
For the Year Ended June 30, 2008

### (6) Long-term Liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2008	Amounts due within one year
A. General obligation bonds payable	\$ 915,000		465,000		450,000	450,000
B. Limited obligation notes payable	3,910,000		20,000		3,890,000	325,000
C. Three mill notes payable	720,000		60,000		660,000	65,000
D. Energy efficiency lease	0	1,000,226	56,104		944,122	48,907
E. Compensated absences payable	96,524		8,702		87,822	
Total	\$ <u>5,641,524</u>	<u>1,000,226</u>	<u>609,806</u>	<u>0</u>	<u>6,031,944</u>	<u>888,907</u>

#### A. General Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Refunding Series 2003	2%	03/01/03	03/01/09	\$ <u>2,660,000</u>	<u>450,000</u>
Total				\$ <u>2,660,000</u>	<u>450,000</u>

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

#### 1. Bond issue - Series 2003

Year Ending June 30	Principal	Interest	Total
2009	\$ 450,000	13,500	463,500

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

**Indianola School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2008

met. As of June 30, 2008 the amount of outstanding bonded indebtedness was equal to 0.6% of property assessments as of October 31, 2007. This debt will be retired from the GO Bond Retirement debt service fund.

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunded Bonds	4.6-4.75%	03-01-07	03-01-18	\$ 3,910,000	3,890,000
Total				<u>\$ 3,910,000</u>	<u>3,890,000</u>

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 325,000	147,531	472,531
2010	340,000	135,441	475,441
2011	355,000	122,759	477,759
2012	365,000	109,518	474,518
2013	375,000	95,867	470,867
2014 - 2018	<u>2,130,000</u>	<u>251,916</u>	<u>2,381,916</u>
Total	<u>\$ 3,890,000</u>	<u>863,032</u>	<u>4,753,032</u>

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

C. Three Mill Note Payable.

Debt currently outstanding is as follows:

**Indianola School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2008

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax Notes, Series 1998	6%	08-01-97	08-01-17	\$ 1,200,000	660,000
Total				\$ <u>1,200,000</u>	<u>660,000</u>

1. Three mill note payable issued in 1998.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 65,000	38,434	103,434
2010	70,000	34,300	104,300
2011	75,000	29,859	104,859
2012	80,000	25,112	105,112
2013	85,000	20,059	105,059
2014-2018	<u>285,000</u>	<u>26,797</u>	<u>311,797</u>
Total	\$ <u>660,000</u>	<u>174,561</u>	<u>834,561</u>

This debt will be retired from the Three Mill Debt Retirement Fund.

D. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy Lease	4.68%	08-14-07	06-01-22	\$ 1,000,226	944,122
Total				\$ <u>1,000,226</u>	<u>944,122</u>

Details of the district's June 30, energy efficiency lease payable are as follows:

1. Obligations under energy efficiency lease issued during the fiscal year.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 48,907	45,145	94,052
2010	51,246	42,807	94,053

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

2011	53,696	40,356	94,052
2012	56,264	37,788	94,052
2013	58,954	35,098	94,052
2014-2018	339,851	130,411	470,262
2019-2022	<u>335,204</u>	<u>41,006</u>	<u>376,210</u>
Total	<u>\$ 944,122</u>	<u>372,611</u>	<u>1,316,733</u>

An energy efficiency lease agreement dated August 14, 2007, was executed by and between the district, the lessee, and Sun Trust Leasing Corporation, the lessor. The agreement authorized the borrowing of \$1,000,226 for an electronic monitoring system. Payments of the lease shall be made from the Energy Lease fund and not exceed fifteen (15) years. The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

#### E. Compensated Absences.

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) Prior Year Defeasance of Debt.

In the prior year, the Indianola School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$3,790,000 of bonds outstanding are defeased.

#### (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.

## Indianola School District

### Notes to the Financial Statements For the Year Ended June 30, 2008

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, 2008 was 11.85% of the 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, 2008, 2007, and 2006 were \$1,345,091, \$1,260,128, and \$1,031,642, 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.

Year Ending June 30	Amount
2009	\$ 51,431
2010	48,974
2011	11,241
Total	\$ <u>111,646</u>

(10) 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 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-

**Indianola School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2008

insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To reduce cash as a result of the financial advisor's review of prior year's data.	\$ (185,546)
2. To correctly state capital assets.	1,041,686
Total	\$ <u><u>856,140</u></u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	See explanation above.	\$ (185,546)

(12) Deficit Fund Balance of Individual Funds.

The District Maintenance Fund has a deficit fund balance in the amount of \$495,211. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972). Section 37-61-19, Miss. Code Ann. (1972) imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

REQUIRED SUPPLEMENTARY INFORMATION

INDIANOLA SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2008

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,759,319	2,647,476	2,606,052	(111,843)	(41,424)
State sources	12,054,497	11,972,798	11,908,846	(81,699)	(63,952)
Federal sources	20,000	32,967	32,967	12,967	0
Total Revenues	<u>14,833,816</u>	<u>14,653,241</u>	<u>14,547,865</u>	<u>(180,575)</u>	<u>(105,376)</u>
Expenditures:					
Instruction	9,713,711	9,464,032	10,404,220	249,679	(940,188)
Support services	5,250,243	5,813,628	5,728,577	(563,385)	85,051
Noninstructional services	6,000	15,446	14,897	(9,446)	549
Facilities acquisition and construction	5,000	2,689	2,689	2,311	0
Debt Service					
Principal	1,000			1,000	0
Total Expenditures	<u>14,975,954</u>	<u>15,295,795</u>	<u>16,150,383</u>	<u>(319,841)</u>	<u>(854,588)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(142,138)</u>	<u>(642,554)</u>	<u>(1,602,518)</u>	<u>(500,416)</u>	<u>(959,964)</u>
Other Financing Sources (Uses):					
Inception of capital leases	0	0	1,000,226	0	1,000,226
Insurance Loss Recoveries	60,000	58,901	58,901	(1,099)	0
Transfers In	585,247	1,595,003	22,926	1,009,756	(1,572,077)
Transfers Out	(829,291)	(2,227,104)	(655,028)	(1,397,813)	1,572,076
Other financing uses	(10,000)	(20,632)	(20,632)	(10,632)	0
Total Other Financing Sources (Uses)	<u>(194,044)</u>	<u>(593,832)</u>	<u>406,393</u>	<u>(399,788)</u>	<u>1,000,225</u>
Net Change in Fund Balances	<u>(336,182)</u>	<u>(1,236,386)</u>	<u>(1,196,125)</u>	<u>(900,204)</u>	<u>40,261</u>
Fund Balances:					
July 1, 2007	795,901	736,499	956,251	(59,402)	219,752
Prior Period Adjustment	448,393		(185,546)	(448,393)	(185,546)
July 1, 2007 - Restated	1,244,294	736,499	770,705	(507,795)	34,206
June 30, 2008	<u>\$ 908,112</u>	<u>(499,887)</u>	<u>(425,420)</u>	<u>(1,407,999)</u>	<u>74,467</u>

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

INDIANOLA SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 IDEA Part B Fund  
 For the Year Ended June 30, 2008

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$			0	0
Federal sources	614,251		674,413	(614,251)	674,413
Total Revenues	614,251	0	674,413	(614,251)	674,413
<b>Expenditures:</b>					
Instruction	400,361	283,475	503,691	116,886	(220,216)
Support services	215,590	368,012	147,796	(152,422)	220,216
Non-instructional	1,000			1,000	0
Total Expenditures	616,951	651,487	651,487	(34,536)	0
Excess (Deficiency) of Revenues Over Expenditures	(2,700)	(651,487)	22,926	(648,787)	674,413
<b>Other Financing Sources (Uses):</b>					
Transfers out		(22,926)	(22,926)	(22,926)	0
Total Other Financing Sources (Uses)	0	(22,926)	(22,926)	(22,926)	0
Net Change in Fund Balances	(2,700)	(674,413)	0	(671,713)	674,413
<b>Fund Balances:</b>					
July 1, 2007	943,860	943,860		0	(943,860)
June 30, 2008	\$ 941,160	269,447	0	(671,713)	(269,447)

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

## Indianola School District

### Notes to the Required Supplementary Information For the Year Ended June 30, 2008

#### 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.

SUPPLEMENTAL INFORMATION

**Indianola School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2008

**Schedule 1**

Catalog of  
Federal  
Domestic  
Assistance  
Number

Federal  
Expenditures

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education: Child Nutrition Cluster:		
School Breakfast Program	10.553	300,033
National School Lunch Program	10.555	1,000,209
Total child nutrition cluster		1,300,242
Total passed-through the MDE		1,300,242
TOTAL U. S. DEPARTMENT OF AGRICULTURE		1,300,242
FEDERAL COMMUNICATION COMMISSION Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	32,967
Total Federal Communication Commission		32,967
U. S. DEPARTMENT OF DEFENSE Direct Program:		
Reserve Officers' Training Corps	12.xxx	134,298
Total Other Federal Assistance		134,298
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,109,106
Safe and Drug Free Schools and Communities - State Grants	84.186	76,508
Gainig Early Awareness and Readiness in Undergraduate Programs	84.334	20,897
Reading First State Grants	84.357	488,805
Improving Teacher Quality State Grants	84.367	121,542
Total		1,816,858
Special Education Cluster:		
Special Education - Grants to States	84.027	674,413
Special Education - Preschool Grants	84.173	15,901
Total special education cluster		690,314
Total passed-through the MDE		2,507,172
TOTAL U. S. DEPARTMENT OF EDUCATION		2,507,172
TOTAL FOR ALL FEDERAL AWARDS		\$3,974,679

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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.

**Indianola School District**  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2008

	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 15,787,591	11,880,347	820,094	1,325,568	1,761,582
Other	6,862,490	1,555,216	258,571	84,345	4,964,358
<b>Total</b>	<b>\$ 22,650,081</b>	<b>13,435,563</b>	<b>1,078,665</b>	<b>1,409,913</b>	<b>6,725,940</b>

Total number of students \* 2,491

Cost per student \$ 9,093 5,394 433 566 2,700

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

- Instruction and other Student Instructional Expenditures** - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)
- General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)
- School Administration** - includes expenditures for the following functions: Support Services - School Administration (2400s)
- Other** - includes all expenditure functions not included in Instruction or Administration categories

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

**Note: includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line**

OTHER SUPPLEMENTAL INFORMATION

INDIANOLA SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues</b>				
Local sources	\$ 2,606,052	2,716,849	2,255,190	2,311,095
State sources	11,908,846	12,174,730	10,869,083	10,407,484
Federal sources	32,967	17,183	71,754	216,501
<b>Total Revenues</b>	<b>14,547,865</b>	<b>14,908,762</b>	<b>13,196,027</b>	<b>12,935,080</b>
<b>Expenditures</b>				
Instruction	10,404,220	9,024,783	8,839,549	8,203,970
Support services	5,728,577	5,653,739	5,234,057	4,741,692
Noninstructional services	14,897	13,295	20,906	22,690
Facilities acquisition and construction	2,689			
<b>Total Expenditures</b>	<b>16,150,383</b>	<b>14,691,817</b>	<b>14,094,512</b>	<b>12,968,352</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(1,602,518)</b>	<b>216,945</b>	<b>(898,485)</b>	<b>(33,272)</b>
<b>Other Financing Sources (Uses):</b>				
Inception of capital leases	1,000,226			
Insurance loss recoveries	58,901	160,735	150,000	9,183
Operating transfers in	22,926		531,120	183,087
Operating transfers out	(655,028)	(564,959)	(640,279)	(593,912)
Other financing uses	(20,632)	(195,407)		
<b>Total Other Financing Sources (Uses)</b>	<b>406,393</b>	<b>(599,631)</b>	<b>40,841</b>	<b>(401,642)</b>
<b>Net Change in Fund Balances</b>	<b>(1,196,125)</b>	<b>(382,686)</b>	<b>(857,644)</b>	<b>(434,914)</b>
<b>Fund Balances:</b>				
July 1,	956,251	1,338,937	2,196,581	2,631,495
Prior period adjustments	(185,546)			
July 1, as restated	770,705	1,338,937	2,196,581	2,631,495
June 30,	\$ (425,420)	956,251	1,338,937	2,196,581

\*SOURCE - PRIOR YEAR AUDIT REPORTS

INDIANOLA SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues</b>				
Local sources	\$ 3,416,208	3,441,603	2,976,723	2,988,119
State sources	12,797,189	13,083,674	11,895,664	11,520,652
Federal sources	3,836,996	4,626,033	4,348,717	3,924,581
Sixteenth section sources	121,667	114,923	87,595	133,725
Total Revenues	<u>20,172,060</u>	<u>21,266,233</u>	<u>19,308,699</u>	<u>18,567,077</u>
<b>Expenditures</b>				
Instruction	13,039,058	11,703,777	11,448,266	10,538,590
Support services	7,037,310	6,856,647	6,569,739	6,066,592
Noninstructional services	1,332,245	1,392,818	1,465,102	1,430,108
Sixteenth section	10,537	8,404	9,218	
Facilities acquisition and construction	2,689			
Debt service:				
Principal	601,104	4,880,000	765,000	730,000
Interest	448,128	180,105	318,514	344,080
Other	179,010	793		
Total Expenditures	<u>22,650,081</u>	<u>25,022,544</u>	<u>20,575,839</u>	<u>19,109,370</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,478,021)</u>	<u>(3,756,311)</u>	<u>(1,267,140)</u>	<u>(542,293)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds		3,910,000		
Inception of capital leases	1,000,226			
Insurance loss recoveries	58,901	160,735	150,000	9,183
Operating transfers in	1,015,643	1,058,055	1,171,400	766,720
Other financing sources	3,349	6,275		
Operating transfers out	(1,015,643)	(1,058,055)	(1,171,400)	(766,720)
Other financing uses	(20,632)	(195,407)		
Total Other Financing Sources (Uses)	<u>1,041,844</u>	<u>3,881,603</u>	<u>150,000</u>	<u>9,183</u>
Net Change in Fund Balances	<u>(1,436,177)</u>	<u>125,292</u>	<u>(1,117,140)</u>	<u>(533,110)</u>
<b>Fund Balances:</b>				
July 1,	2,756,655	2,613,117	3,750,982	4,283,402
Prior period adjustments	<u>(185,546)</u>		<u>(18,614)</u>	
July 1, as restated	2,571,109	2,613,117	3,732,368	4,283,402
Increase (Decrease) in reserve for inventory	<u>(12,534)</u>	<u>18,246</u>	<u>(2,111)</u>	<u>690</u>
June 30,	<u>\$ 1,122,398</u>	<u>2,756,655</u>	<u>2,613,117</u>	<u>3,750,982</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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  
Indianola School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Indianola School District as of and for the year ended June 30, 2008, which collectively comprise the Indianola School District's basic financial statements and have issued our report thereon dated February 9, 2009. Our report differed from the standard report because Indianola School District does not have in place a system in which bank reconciliations are performed in a timely manner. Neither accounts payable clearing nor payroll bank accounts were reconciled. The amount by which these accounts would affect the financial statements presentation is not reasonably determinable. Except for the effects of the situation referred to above, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, process, record, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-1, 2008-2, and 2008-3 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 2008-1 and 2008-2 to be material weaknesses.

#### 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 certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated February 9, 2009, which is included in this report.

Indianola's School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Indianola 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, 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. However, this report is a matter of public record and its distribution is not limited.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
February 9, 2009

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Indianola School District

Compliance

We have audited the compliance of the Indianola School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract 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 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 and 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the Indianola School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-4.

Internal Control Over Compliance

The management of the Indianola 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 the school district's internal control over compliance with 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, but not for the purpose of expressing an

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opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be material weakness.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-4 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-4 to be a material weakness.

The Indianola School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Indianola School District's response and, accordingly, we express no opinion on it.

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. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
February 9, 2009

Certified Public Accountants

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

Superintendent and School Board  
Indianola School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Indianola School District as of and for the year ended June 30, 2008, which collectively comprise Indianola's School District's basic financial statements and have issued our report thereon dated February 9, 2009. 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. Our report differed from the standard report because of a scope limitation due to the school district not having in place a system in which bank reconciliations are performed in a timely manner. Neither accounts payable clearing nor payroll bank accounts were reconciled. The amount by which these accounts would affect the financial statements presentation was not reasonably determinable.

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 the following instance of noncompliance. The noncompliance is reported in Finding 5 below. The district reported \$61,659 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 instances of noncompliance described in Finding 2008-3 in the Schedule of Findings and Questioned Costs and the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

**Finding 1:**

Code Section 37-9-14(7) Miss. Code Ann. (1972) prohibits the district from releasing checks for payment to vendors or employees unless there is sufficient cash in the bank account to cover such checks. There were not sufficient funds incurred by the district.

**Recommendation:**

The district should comply with Code Section 37-9-14(7) Miss. Code Ann. (1972) and implement a procedure to insure that transfers are made to cover all checks written before they are released.

**School District's Response:**

The school district will comply with Section 37-9-14(7).

**Finding 2:**

Section 37-9-31 requires Principals to be bonded for \$25,000. Section 25-1-19 requires that these bonds be recorded and on file in the chancery clerk's office. Evidence of three (3) of the Principals' bond was not provided and the bonds were not recorded and on file in the chancery clerk's office.

**Recommendation:**

Evidence of bonds for all Principals should be on file at the district and properly recorded at the chancery clerk's office of the county.

**School District's Response:**

The school district will comply with Section 37-9-31.

**Finding 3:**

Section 29-3-121 requires the shared revenues to be divided according to applicable percentages derived from the appropriate list of children. The superintendent should complete a list of children and file it with the county superintendent by December 31 of each year. The school district was not able to provide any evidence that the list of children was filed as required by this section.

**Recommendation:**

The Superintendent should comply with 29-3-121.

**School District's Response:**

The school district will comply with Section 29-3-121.

**Finding 4:**

Section 37-61-33, Miss. Code Ann. (1972), requires that Mississippi Public School Districts

allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers in the school district. Section 37-61-33, Miss. Code Ann. (1972), further defines "teacher" for this statute and specifically excludes all federally-funded teachers from being included in the allocation process. Indianola School District allocated classroom supplies to seven (7) teachers that were federally funded classroom teachers.

Recommendation:

The District should comply with Section 37-61-33, Miss. Code Ann. (1972), which requires the district to allocate Education Enhancement Funds (EEF) classroom supply funds equally among all classroom teachers but to preclude allocation to federally-funded teachers.

Response:

The District will comply with Section 37-61-33, Miss. Code Ann. (1972).

**Finding 5:**

Section 37-61-19, Miss Code Ann. (1972), states that it shall be the duty of the superintendent and school board members to limit the expenditure of school funds during the fiscal year to the resources available. The General Fund incurred a deficit fund balance totaling \$425,420. The District Maintenance fund, the main operational fund, showed a fund balance deficit of \$495,211.

Recommendation:

The District should comply with Section 37-61-19, Miss. Code Ann. (1972), which requires the superintendent and school board members to limit the expenditure of school funds during the fiscal year to the resources available.

Response:

The District will comply with Section 37-61-19, Miss. Code Ann. (1972).

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Indianola School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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. However, this report is a matter of public record and its distribution is not limited.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
February 9, 2009

Certified Public Accountants

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW UP

## Indianola School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

#### Section 1: Summary of Auditor's Results

##### Financial Statements:

1. Type of auditor's report issued on the financial statements: Qualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
  - a. Material weakness(es) identified? Yes.
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes.

##### Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weakness(es) identified? Yes.
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133?  
Yes.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA # 10.553  
CFDA # 10.555
  - b. Title I Grants to Local Educational Agencies:  
CFDA # 84.010
  - c. Special Education Cluster:  
CFDA # 84.027  
CFDA # 84.173
  - d. Reading First - State Grants  
CFDA # 84.357
8. The dollar threshold used to distinguish between Type A and Type B programs:  
\$300,000.

9. Auditee qualified as a low-risk auditee? No.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_.315(b) of OMB Circular A-133? Yes.

## Section 2: Findings Relating to the Financial Statements

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

### **Material Weaknesses:**

#### 2008-1 Finding

An effective system of internal controls should provide for timely and accurate bank reconciliations and an adequate record of accruals of both accounts receivable and accounts payable and other liabilities. We found that bank reconciliations were not performed, neither accounts payable clearing nor payroll bank accounts were reconciled. In addition, the school district did not maintain an adequate record of accruals of accounts receivable and accounts payable and other liabilities. Lack of bank reconciliations and accurate recording of accruals of accounts receivable and accounts payable and other liabilities could cause the district's accounts balances to be overstated or understated.

#### Recommendation:

The school district should reconcile the bank accounts in a timely manner. In addition, an adequate record of the accruals of accounts receivable and accounts payable and other liabilities should be maintained.

#### Response:

The district will reconcile the bank accounts in a timely manner and maintain an adequate record of accruals.

#### 2008-2 Finding

Generally Accepted Accounting Principles in the United States of America require the presentation of capital asset records and the depreciation of those assets. The school district failed to record some capital assets that were purchased during the year and met the capitalization threshold as well as recording the related depreciation of these assets. The failure to have capital assets recorded and reconciled could potentially result in overstatement or understatement of capital assets and depreciation expense.

#### Recommendation:

Internal controls should be implemented to ensure that the district properly maintains the capital asset records. Additions of capital assets should be reconciled to the general ledger each month and the appropriate entries made to the subsidiary ledger and depreciation schedule. A capital assets inventory should be performed each year in addition to the supply inventory as an internal control over the stewardship of these assets.

Response:

Internal controls will be implemented to ensure that the district properly maintains the capital asset records.

**Significant Deficiency:**

2008-3 Finding:

Due to the lack of adequate accounting records the board did not receive accurate, timely financial statements. In addition, transfers were not approved in advance.

Recommendation:

The Board should be provided accurate and timely financial statements and transfers of funds among various funds should be approved by the Board and evidenced in writing in the Board minutes.

Response:

The district will provide accurate and timely financial statements. Transfers among the various funds of the district will be submitted for approval by the Board and documented in the Board minutes.

Section 3: Findings and Questioned Costs for Federal Awards

The results of our tests disclosed the following finding and questioned costs related to the federal awards.

**Material Weakness and Non-compliance:**

2008- 4 Finding

Program: Title I - CFDA #84.010

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

Program: Special Education Cluster - CFDA #84.027, #84.173

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

Compliance requirement: Cash Management

The district requested funds in excess of immediate need from the MS Department of Education. Federal cash management requirements allow drawdown of funds only to cover immediate needs. At June 30, 2008 both the Title I and Special Education Cluster had surplus of cash.

Question cost: None

Recommendation

The district should comply with cash management requirements and draw down cash only for immediate cash needs and/or the pass-through entity limited payments to subrecipients to immediate cash needs.

School District's Response:

The district will ensure compliance with cash management requirements and draw down cash only for immediate cash needs.

**Indianola School District**  
Highway 82 E  
Indianola, MS 38751  
**King David Rush - Superintendent**  
**Gwendolyn Durham - Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315(b) of OMB Circular A-133, the Indianola School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2008:

Finding

Corrective Action Plan Details

2008-1

a. Name of Contact Person Responsible for Corrective Action:

name: King David Rush  
title: Superintendent  
phone number: 662-887-2654

b. Corrective Action Planned:

The district will reconcile the bank accounts in a timely manner and maintain an adequate record of accruals.

c. Anticipated Completion Date: June 30, 2009

2008-2

a. Name of Contact Person Responsible for Corrective Action:

name: King David Rush  
title: Superintendent  
phone number: 662-887-2654

b. Corrective Action Planned:

Internal controls will be implemented to ensure that the district properly maintains the capital asset records.

c. Anticipated Completion Date: June 30, 2009

2008-3

a. Name of Contact Person Responsible for Corrective Action:

name: King David Rush  
title: Superintendent  
phone number: 662-887-2654

2008-4

b. Corrective Action Planned:

The district will provide accurate and timely financial statements and transfers of funds among various funds will be submitted for approval by the Board.

c. Anticipated Completion Date: June 30, 2009

a. Name of Contact Person Responsible for Corrective Action:

name: King David Rush  
title: Superintendent  
phone number: 662-887-2654

b. Corrective Action Planned:

The district will comply with cash management requirements and draw down cash only for immediate cash needs and/or the pass-through entity limited payments to subrecipients to immediate cash needs.

c. Anticipated Completion Date: June 30, 2009

**Indianola School District**  
Highway 82 E  
Indianola, MS 38751  
**King David Rush - Superintendent**  
**Gwendolyn Durham - Business Manager**

PRIOR YEAR AUDIT FINDINGS FOLLOW-UP

As required by Section \_\_.315(b) of OMB Circular A-133, the Indianola School District has prepared and hereby submits the prior year audit findings follow up for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2007:

<u>Finding</u>	<u>Status</u>
2007-1	Not Corrected
2007-2	Corrected
2007-3	Corrected
2007-4	Not Corrected
2007-5	Corrected
2007-6	Not Corrected