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INDIANOLA SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

INDIANOLA SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

WWS

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INDEPENDENT AUDITOR'S REPORT

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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indianola School District, as of June 30, 2011, 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 January 19, 2012, on our consideration of the Indianola School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, 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 do not express an opinion or provide any assurance on it.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi

January 19, 2012

Watkins Ward and Stafford PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Indianola School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased $3,216,529, including a prior period adjustment of $39,263, which represents a 43% increase from fiscal year 2010. Total net assets for 2010 increased $156,053, including a prior period adjustment of $(1,020,260), which represents a 2% increase from fiscal year 2009.

- General revenues amounted to $13,556,652 and $13,921,480, or 62% and 71% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $8,462,080, or 38% of total revenues for 2011, and $5,737,707, or 29% of total revenues for 2010.

- The District had $18,841,466 and $18,482,874 in expenses for fiscal years 2011 and 2010; only $8,462,080 for 2011 and $5,737,707 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $13,556,652 for 2011 and $13,921,480 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $12,340,816 in revenues and $9,747,878 in expenditures for 2011, and $12,269,681 in revenues and $11,162,591 in expenditures in 2010. The General Fund's fund balance increased by $2,170,428, including a prior period adjustment of $(28,383), from 2010 to 2011, and increased by $691,569, including a prior period adjustment of $(215,750), from 2009 to 2010.

- Capital assets, net of accumulated depreciation, decreased by $184,029 for 2011 and decreased by $1,024,887 for 2010. The decrease for 2011 was due primarily to the disposal of furniture and equipment coupled with the increase in accumulated depreciation.

- Long-term debt decreased by $1,098,908 for 2011 and decreased by $454,143 for 2010. The decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences also decreased by $15,212 for 2011 and increased by $7,103 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Assets presents information on all the District's non-fiduciary assets and liabilities,

with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net 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 periods.

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $10,753,389 as of June 30, 2011.

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

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	$ 5,999,154	$ 3,981,947	50.66 %
Restricted assets	115,119	107,231	7.36 %
Capital assets, net	10,206,553	10,390,582	(1.77) %
Total assets	**16,320,826**	**14,479,760**	**12.71 %**
Current liabilities	154,779	431,334	(64.12) %
Long-term debt outstanding	5,412,658	6,511,566	(16.88) %
Total liabilities	**5,567,437**	**6,942,900**	**(19.81) %**
Net assets:			
Invested in capital assets, net of related debt	6,886,553	6,640,582	3.70 %
Restricted	1,416,984	1,285,762	10.21 %
Unrestricted	2,449,852	(389,484)	729.00 %
Total net assets	**$ 10,753,389**	**$ 7,536,860**	**42.68 %**

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

- Decrease in net capital assets in the amount of $184,029.
- The principal retirement of $1,083,696 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were $22,018,732 and $19,659,187, respectively. The total cost of all programs and services was $18,841,466 for 2011 and $18,482,874 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes In Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 791,089	$ 460,400	71.83 %
Operating grants and contributions	7,670,991	5,277,307	45.36 %
General revenues:			
Property taxes	2,811,150	2,342,407	20.01 %
Grants and contributions not restricted	10,476,098	11,242,796	(6.82) %
Investment earnings	90,795	82,896	9.53 %
Sixteenth section sources	136,579	129,514	5.46 %
Other	42,030	123,867	(66.07) %
Total revenues	**22,018,732**	**19,659,187**	**12.00 %**
Expenses:			
Instruction	9,891,127	9,889,256	0.02 %
Support services	7,418,389	6,975,702	6.35 %
Non-instructional	1,342,969	1,416,321	(5.18) %
Sixteenth section	477	170	180.59 %
Interest and other expenses on long-term liabilities	188,504	201,425	(6.41) %
Total expenses	**18,841,466**	**18,482,874**	**1.94 %**
Increase (Decrease) in net assets	**3,177,266**	**1,176,313**	**170.10 %**
Net Assets, July 1, as originally reported	**7,536,860**	**7,380,807**	**2.11 %**
Prior Period Adjustment	**39,263**	**(1,020,260)**	**(103.85) %**
Net Assets, July 1, as restated	**7,576,123**	**6,360,547**	**19.11 %**
Net Assets, June 30	**$ 10,753,389**	**$ 7,536,860**	**42.68 %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2011	2010	Change
Instruction	$ 9,891,127	$ 9,889,256	0.02 %
Support services	7,418,389	6,975,702	6.35 %
Non-instructional	1,342,969	1,416,321	(5.18) %
Sixteenth section	477	170	180.59 %
Interest on long-term liabilities	188,504	201,425	(6.41) %
Total expenses	**$ 18,841,466**	**$ 18,482,874**	**1.94 %**

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	$ (6,795,974)	$ (7,709,134)	(11.85) %
Support services	(3,570,014)	(5,005,816)	(28.68) %
Non-instructional	175,583	171,378	2.45 %
Sixteenth section	(477)	(170)	180.59 %
Interest on long-term liabilities	(188,504)	(201,425)	(6.41) %
Total net (expense) revenue	**$ (10,379,386)**	**$ (12,745,167)**	**(18.56) %**

- Net cost of governmental activities ($10,379,386 for 2011 and $12,745,167 for 2010) was financed by general revenue, which is primarily made up of property taxes ($2,811,150 for 2011 and $2,342,407 for 2010) and state and federal revenues ($10,476,098 for 2011 and $11,242,796 for 2010). In addition, there was $136,579 and $129,514 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $90,795 for 2011 and $82,896 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $6,010,714, an increase of $2,295,094, which includes a prior period adjustment of $25,885 and a decrease in reserve for inventory of $10,344. $4,484,636, or 75%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $1,526,078, or 25%, is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $2,170,428, including a prior period adjustment of $(28,383). This increase was due primarily to the District's conservative approach to budgeting and spending during the fiscal year in order to increase fund balance at fiscal year end. The fund balance of Other Governmental Funds showed an increase in the amount of $124,666, which includes a prior period adjustment of $58,006 and a decrease in reserve for inventory of $10,344. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Basic Fund	no increase or decrease
ARRA School Improvement Fund	no increase or decrease
ARRA IDEA Part B Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Significant budget revisions made during the fiscal year are explained as follows:

- Budgeted amounts for revenue from local sources in the General Fund were increased during the fiscal year to reflect an increase in ad valorem receipts from amounts originally budgeted.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the federal revenue received and expenditures incurred in the Budget Stabilization Fund. The funding was received subsequent to the approval of the original budget.
- The original budget for the General Fund was revised to reflect insurance loss recoveries during the fiscal year.
- Budgeted amounts for revenue from federal sources and instruction, support services and non-instructional expenditures in the Title I Basic Fund were revised to more accurately reflect actual revenues received and expenditures incurred during the fiscal year.
- The District revised the budget to reflect revenue from federal sources and instruction and support services expenditures in the ARRA School Improvement Fund resulting from federal funds received under the American Recovery and Reinvestment Act (ARRA). This funding was received subsequent to the approval of the original budget.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were $18,150,296, including land, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of $187,330 from 2010 due primarily to the purchase of a new school bus and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2011, was $7,943,743, and total depreciation expense for the year was $417,352, resulting in total net capital assets of $10,206,553.

Table 4

Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 351,254	$ 351,254	0.00 %
Buildings	9,102,050	9,404,739	(3.22) %
Building improvements	37,197	-	N/A %
Improvements other than buildings	38,151	38,151	0.00 %
Mobile equipment	335,993	282,153	19.08 %
Furniture and equipment	341,908	314,285	8.79 %
Total	**$ 10,206,553**	**$ 10,390,582**	**(1.77) %**

Debt Administration. At June 30, 2011, the District had $5,412,658 in outstanding long-term debt, of which $506,383 is due within one year. During the fiscal year, the District made principal payments in the amount of $1,083,696 on existing long-term debt. The liability for compensated absences also decreased $15,212 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
Limited obligation bonds payable	$ 2,870,000	$ 3,225,000	(11.01) %
Certificates of participation payable	450,000	525,000	(14.29) %
Obligations under energy efficiency leases	790,273	843,969	(6.36) %
Other loans payable	1,200,000	1,800,000	(33.33) %
Compensated absences payable	102,385	117,597	(12.94) %
Total	**$ 5,412,658**	**$ 6,511,566**	**(16.88) %**

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Indianola School District, 702 Highway 82 East, Indianola, MS 38751.

FINANCIAL STATEMENTS

INDIANOLA SCHOOL DISTRICT

Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,546,170
Due from other governments	1,441,271
Other receivables, net	287
Inventories	11,426
Restricted assets	115,119
Capital assets, non-depreciable:	
Land	351,254
Capital assets, net of accumulated depreciation:	
Buildings	9,102,050
Building improvements	37,197
Improvements other than buildings	38,151
Mobile equipment	335,993
Furniture and equipment	341,908
Total Assets	16,320,826
Liabilities	
Accounts payable and accrued liabilities	103,559
Interest payable on long-term liabilities	51,220
Long-term liabilities, due within one year:	
Capital related liabilities	445,000
Non-capital related liabilities	61,383
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,875,000
Non-capital related liabilities	2,031,275
Total Liabilities	5,567,437
Net Assets	
Invested in capital assets, net of related debt	6,886,553
Restricted for:	
Expendable:	
School-based activities	956,696
Debt service	391,556
Unemployment benefits	42,710
Non-expendable:	
Sixteenth section	26,022
Unrestricted	2,449,852
Total Net Assets	$ 10,753,389

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

INDIANOLA SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 9,891,127	$ 319,662	$ 2,775,491	$	$ (6,795,974)
Support services	7,418,389	331,365	3,517,010		(3,570,014)
Non-instructional	1,342,969	140,062	1,378,490		175,583
Sixteenth section	477				(477)
Interest on long-term liabilities	188,504				(188,504)
Total Governmental Activities	$ 18,841,466	$ 791,089	$ 7,670,991	$ 0	$ (10,379,386)
General Revenues:					
Taxes:					
General purpose levies					2,810,592
Debt purpose levies					558
Unrestricted grants and contributions:					
State					9,640,128
Federal					835,970
Unrestricted investment earnings					90,795
Sixteenth section sources					136,579
Other					42,030
Total General Revenues					13,556,652
Change in Net Assets					3,177,266
Net Assets - Beginning, as originally reported					7,536,860
Prior Period Adjustments					39,263
Net Assets - Beginning, as restated					7,576,123
Net Assets - Ending					$ 10,753,389

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

INDIANOLA SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds					
	General Fund	Title I Basic Fund	ARRA School Improvement Fund	ARRA IDEA Part B Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 3,471,292	$	$	$	$ 1,101,416	$ 4,572,708
Investments					88,581	88,581
Due from other governments	287,797	251,752	198,953	98,225	600,991	1,437,718
Other receivables, net					287	287
Due from other funds	865,684				1,331	867,015
Inventories					11,426	11,426
Total assets	$ 4,624,773	$ 251,752	$ 198,953	$ 98,225	$ 1,804,032	$ 6,977,735
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	$ 82,263	$ 2,950	$ 4,500	$ 2,640	$ 11,206	$ 103,559
Due to other funds		248,802	194,453	95,585	324,622	863,462
Total Liabilities	82,263	251,752	198,953	98,225	335,828	967,021
Fund Balances:						
Nonspendable:						
Inventory					11,426	11,426
Permanent fund principal					26,022	26,022
Restricted:						
Debt service					442,776	442,776
Unemployment benefits					42,710	42,710
Other commitments					930,944	930,944
Assigned:						
Other purposes	57,874				14,326	72,200
Unassigned	4,484,636					4,484,636
Total Fund Balances	4,542,510	0	0	0	1,468,204	6,010,714
Total Liabilities and Fund Balances	$ 4,624,773	$ 251,752	$ 198,953	$ 98,225	$ 1,804,032	$ 6,977,735

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

INDIANOLA SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets **Exhibit C-1**
June 30, 2011

Total fund balances for governmental funds		$ 6,010,714
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 351,254	
Buildings	15,029,237	
Building improvements	185,985	
Improvements other than buildings	190,755	
Mobile equipment	1,193,848	
Furniture and equipment	1,199,217	
Accumulated depreciation	(7,943,743)	10,206,553
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds	(2,870,000)	
Notes payable	(1,200,000)	
Certificates of participation	(450,000)	
Energy Efficiency leases	(790,273)	
Compensated Absences	(102,385)	
Accrued interest payable	(51,220)	(5,463,878)
Net assets of governmental activities		$ 10,753,389

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

INDIANOLA SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances **Exhibit D**
For the Year Ended June 30, 2011

	Major Funds				Other	Total
	General Fund	Title I Basic Fund	ARRA School Improvement Fund	ARRA IDEA Part B Fund	Governmental Funds	Governmental Funds
Revenues:						
Local sources	$ 3,335,769	$	$	$	$ 250,017	$ 3,585,786
State sources	8,726,800				1,421,702	10,147,502
Federal sources	279,247	1,396,951	1,248,060	303,898	4,771,431	7,999,587
Sixteenth section sources					143,947	143,947
Total Revenues	12,340,816	1,396,951	1,248,060	303,898	6,587,097	21,878,822
Expenditures:						
Instruction	5,669,359	605,187	178,049	92,619	2,747,701	9,292,915
Support services	4,078,519	698,921	1,031,608	202,113	1,406,644	7,417,805
Noninstructional services		53,439			1,331,228	1,384,667
Sixteenth section					477	477
Debt service:						
Principal					1,083,696	1,083,696
Interest					192,975	192,975
Other					2,085	2,085
Total Expenditures	9,747,878	1,357,547	1,209,657	294,732	6,764,806	19,374,620
Excess (Deficiency) of Revenues over (under) Expenditures	2,592,938	39,404	38,403	9,166	(177,709)	2,502,202
Other Financing Sources (Uses):						
Insurance recovery	138,365					138,365
Sale of other property					3,955	3,955
Operating transfers in	292,292				858,722	1,151,014
Operating transfers out	(753,657)	(35,689)	(38,403)	(6,856)	(316,509)	(1,151,014)
Other financing uses	(71,227)	(2,287)			(291,455)	(364,969)
Total Other Financing Sources (Uses)	(394,127)	(37,976)	(38,403)	(6,856)	254,713	(222,649)
Net Change in Fund Balances	2,198,811	1,428	0	2,310	77,004	2,279,553
Fund Balances						
July 1, 2010, as originally reported	2,372,082				1,343,538	3,715,620
Prior period adjustments	(28,383)	(1,428)		(2,310)	58,006	25,885
July 1, 2010, as restated	2,343,699	(1,428)	0	(2,310)	1,401,544	3,741,505
Increase (Decrease) in reserve for inventory					(10,344)	(10,344)
June 30, 2011	$ 4,542,510	$ 0	$ 0	$ 0	$ 1,468,204	$ 6,010,714

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

INDIANOLA SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit D-1

Net change in fund balances - total governmental funds		$ 2,279,553
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 220,355	
Depreciation expense	(417,352)	(196,997)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(410)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	1,083,696	
Accrued interest payable	6,556	1,090,252
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	15,212	
Change in inventory reserve	(10,344)	4,868
Change in net assets of governmental activities		$ 3,177,266

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

INDIANOLA SCHOOL DISTRICT
Fiduciary Funds

Statement of Fiduciary Net Assets **Exhibit E**
June 30, 2011

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 20,642	$ 789,684
Total Assets	20,642	$ 789,684
Liabilities		
Accounts payable and accrued liabilities		$ 760,865
Due to other funds		3,553
Due to student clubs		25,266
Total Liabilities	0	$ 789,684
Net Assets		
Reserved for endowments	20,642	
Total Net Assets	$ 20,642	

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

INDIANOLA SCHOOL DISTRICT
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets **Exhibit F**
For the Year Ended June 30, 2011

	Private-Purpose Trust Funds
Additions	
Interest on investments	$ 477
Contributions and donations from private sources	12,787
Total Additions	13,264
Deductions	
Scholarships awarded	15,600
Total Deductions	15,600
Change in Net Assets	(2,336)
Net Assets	
July 1, 2010,	22,978
June 30, 2011	$ 20,642

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as non-spendable, restricted, committed, assigned, or unassigned.

B. 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.

C. Government-wide and Fund Financial Statements

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I Basic Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

ARRA School Improvement Fund – This is a special revenue fund that accounts for federal funds received under the American Recovery and Reinvestment Act (ARRA), which provides additional funding to assist the District in improving the education and instruction of students.

ARRA IDEA Part B Fund – This is a special revenue fund that accounts for federal funds received under the American Recovery and Reinvestment Act (ARRA), which provides additional funding for programs under Part B of IDEA to ensure that school aged children with disabilities have access to a free appropriate public education to meet each child's needs and prepare them for further education, employment and independent living.

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

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

The District's fiduciary funds include the following:

Scholarship Fund – This is a fund used to report a trust arrangement, other than those properly reported elsewhere, in which the principal and income benefit students through the awarding of scholarships.

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in 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 results of operations.

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

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are

recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

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

Ad valorem property taxes are levied by the governing authority of the 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 asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

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

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss.

Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets

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

columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

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

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

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

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

Note 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. Restrictions on deposits and investments are imposed by statutes as follows:

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $4,572,708 and $810,326, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of $6,663,239 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was $88,581.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Title I Basic Fund	$	248,802
	ARRA School Improvement Fund		194,453
	ARRA IDEA Part B Fund		95,585
	Other governmental funds		323,291
	Fiduciary funds		3,553
Other governmental funds	Other governmental funds		1,331
Total		$	867,015

The inter-fund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	753,557
Title I Basic Fund	General Fund		35,689
ARRA School Improvement Fund	General Fund		38,403
ARRA IDEA Part B Fund	General Fund		6,856
Other governmental funds	General Fund		211,344
	Other governmental funds		105,165
Total		$	1,151,014

The transfers were primarily for the following: indirect cost transfers, debt service transfers, unemployment transfers and the transfer of expendable resources from the sixteenth section principal fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling $26,538 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling $88,581 of the MAEP Limited Obligation Bond Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 351,254	$	$		$ 351,254
Total non-depreciable capital assets	351,254	-	-		351,254
Depreciable capital assets:					
Buildings	15,215,222			(185,985)	15,029,237
Building improvements				185,985	185,985
Improvements other than buildings	190,755				190,755
Mobile equipment	1,089,883	95,970		7,995	1,193,848
Furniture and equipment	1,115,852	124,385	41,020		1,199,217
Total depreciable capital assets	17,611,712	220,355	41,020	7,995	17,799,042
Less accumulated depreciation for:					
Buildings	5,810,483	272,931		(156,227)	5,927,187
Building improvements				148,788	148,788
Improvements other than buildings	152,604				152,604
Mobile equipment	807,730	48,069		2,056	857,855
Furniture and equipment	801,567	96,352	40,610		857,309
Total accumulated depreciation	7,572,384	417,352	40,610	(5,383)	7,943,743
Total depreciable capital assets, net	10,039,328	(196,997)	410	13,378	9,855,299
Governmental activities capital assets, net	$ 10,390,582	$ (196,997)	$ 410	13,378	$ 10,206,553

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 286,430
Support services	91,882
Non-instructional	39,040
Total depreciation expense - Governmental activities	$ 417,352

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Limited obligation bonds payable	$ 3,225,000	$	$ 355,000	$ 2,870,000	$ 365,000
B. Certificates of participation payable	525,000		75,000	450,000	80,000
C. Obligations under energy efficiency leases	843,969		53,696	790,273	56,264
D. Other loans payable	1,800,000		600,000	1,200,000	-
E. Compensated absences payable	117,597		15,212	102,385	5,119
Total	$ 6,511,566	$ -	$ 1,098,908	$ 5,412,658	$ 506,383

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunded bonds	4.6-4.75%	3/1/2007	3/1/2018	$ 3,910,000	$ 2,870,000
Total				$ 3,910,000	$ 2,870,000

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

Year Ending June 30	Principal	Interest	Total
2012	$ 365,000	$ 109,518	$ 474,518
2013	375,000	95,867	470,867
2014	395,000	81,729	476,729
2015	410,000	66,719	476,719
2016	425,000	51,016	476,016
2017 – 2018	900,000	52,452	952,452
Total	$ 2,870,000	$ 457,301	$ 3,327,301

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 Debt Service Fund.

B. Certificates of participation payable

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 1998	6.00%	8/1/1996	8/1/2015	$ 1,200,000	$ 450,000
Total				$ 1,200,000	$ 450,000

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

Year Ending June 30	Principal	Interest	Total
2012	$ 80,000	$ 25,113	$ 105,113
2013	85,000	20,059	105,059
2014	90,000	14,700	104,700
2015	95,000	9,034	104,034
2016	100,000	3,063	103,063
Total	$ 450,000	$ 71,969	$ 521,969

This debt will be retired from the Debt Service Building and Buses Pledge Fund.

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	4.68%	8/14/2007	6/1/2022	$ 1,000,226	$ 790,273
Total				$ 1,000,226	$ 790,273

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

Year Ending June 30	Principal	Interest	Total
2012	$ 56,264	$ 37,788	$ 94,052
2013	58,954	35,098	94,052
2014	61,773	32,279	94,052
2015	64,727	29,325	94,052
2016	67,822	26,230	94,052
2017 – 2022	480,733	83,583	564,316
Total	$ 790,273	$ 244,303	$ 1,034,576

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 the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. 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.

D. **Other loans payable - Emergency Assistance Loan**

On March 20, 2009, the school district's board approved the request submitted to the Governor to declare a state of emergency related to serious concerns regarding financial resources of the Indianola School District. The board approved the $1.8 million loan from the School District Emergency Assistance Fund to the Indianola School District. This is a loan from the state that is not to be paid back until 5 years after the school district reaches solvency. The district made the first payment of $600,000 in June of 2011 fiscal year.

E. **Compensated absences payable**

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

Note 7 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal

year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were $1,148,710, $1,231,256 and $1,349,142, respectively, which equaled the required contributions for each year.

Note 8 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from 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
2012	$	134,873
2013		62,089
2014		62,089
2015		25,000
Total	$	284,051

Note 9 – Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

	Explanation		Amount
1.	To record cost and related accumulated depreciation for an asset purchased in a prior fiscal year and to correct accumulated depreciation for an asset.	$	13,378
2.	To reclassify prior year expenditures to the proper fund, to restate fund balance for prior year revenue and expenditures, and to correct beginning fund balance at the governmental fund level.		25,885
	Total	$	39,263

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

Fund	Explanation		Amount
General Fund	To reclassify prior year expenditures to the proper fund, to restate fund balance for prior year revenue and expenditures, and to correct beginning fund balance.	$	(28,383)
Title I Basic Fund	To restate fund balance for prior year expenditures and to record prior year voided checks		(1,428)
ARRA IDEA Part B Fund	To restate fund balance for prior year expenditures		(2,310)
Other governmental funds	To reclassify prior year expenditures to the proper fund and to restate fund balance for prior year revenues and expenditures.		58,006
Total		$	25,885

Note 10 – Contingencies

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

Note 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

Note 12 – Trust Certificates

A trust agreement dated August 1, 1996, was executed by and between the school district and Planters Bank & Trust Company, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of $1,200,000. $1,200,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental

payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 13 - Insurance loss recoveries

The Indianola School District received $138,365 in insurance loss recoveries during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 14 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Indianola School District evaluated the activity of the district through January 19, 2012, the date the financial statements were available to be issued and determined that there was no subsequent event has occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

INDIANOLA SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 3,075,512	$ 3,335,769	$ 3,335,769	$ 260,257	$ 0
State sources	8,460,362	8,725,800	8,725,800	265,438	0
Federal sources	229,903	279,247	279,247	49,344	0
Total Revenues	11,765,777	12,340,816	12,340,816	575,039	0
Expenditures:					
Instruction	7,197,188	5,669,359	5,669,359	1,527,829	0
Support services	4,368,428	4,078,519	4,078,519	289,909	0
Total Expenditures	11,565,616	9,747,878	9,747,878	1,817,738	0
Excess (Deficiency) of Revenues over (under) Expenditures	200,161	2,592,938	2,592,938	2,392,777	0
Other Financing Sources (Uses):					
Insurance recovery		138,365	138,365	138,365	0
Operating transfers in	187,000	307,891	292,292	120,891	(15,599)
Operating transfers out	(193,252)	(769,156)	(753,557)	(575,904)	15,599
Other financing uses	(60,000)	(71,227)	(71,227)	(11,227)	0
Total Other Financing Sources (Uses)	(66,252)	(394,127)	(394,127)	(327,875)	0
Net Change in Fund Balances	133,909	2,198,811	2,198,811	2,064,902	0
Fund Balances:					
July 1, 2010, as originally reported	1,969,236	2,372,082	2,372,082	402,846	0
Prior period adjustments		(28,383)	(28,383)	(28,383)	0
July 1, 2010, as restated	1,969,236	2,343,699	2,343,699	374,463	0
June 30, 2011	$ 2,103,145	$ 4,542,510	$ 4,542,510	$ 2,439,365	$ 0

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

INDIANOLA SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
Title I Basic Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 1,537,368	$ 1,396,951	$ 1,396,951	$ (140,417)	$ 0
Total Revenues	1,537,368	1,396,951	1,396,951	(140,417)	0
Expenditures:					
Instruction	1,005,355	605,187	605,187	400,168	0
Support services	417,065	698,921	698,921	(281,856)	0
Noninstructional services	74,951	53,439	53,439	21,512	0
Total Expenditures	1,497,371	1,357,547	1,357,547	139,824	0
Excess (Deficiency) of Revenues over (under) Expenditures	39,997	39,404	39,404	(593)	0
Other Financing Sources (Uses):					
Operating transfers out	(39,997)	(35,689)	(35,689)	4,308	0
Other financing uses		(2,287)	(2,287)	(2,287)	0
Total Other Financing Sources (Uses)	(39,997)	(37,976)	(37,976)	2,021	0
Net Change in Fund Balances	0	1,428	1,428	1,428	0
Fund Balances:					
July 1, 2010, as originally reported				0	0
Prior period adjustments		(1,428)	(1,428)	(1,428)	0
July 1, 2010, as restated	0	(1,428)	(1,428)	(1,428)	0
June 30, 2011	$ 0	$ 0	$ 0	$ 0	$ 0

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

INDIANOLA SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
ARRA School Improvement Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$	$ 1,248,060	$ 1,248,060	$ 1,248,060	$ 0
Total Revenues	0	1,248,060	1,248,060	1,248,060	0
Expenditures:					
Instruction		178,049	178,049	(178,049)	0
Support services		1,031,608	1,031,608	(1,031,608)	0
Total Expenditures	0	1,209,657	1,209,657	(1,209,657)	0
Excess (Deficiency) of Revenues over (under) Expenditures	0	38,403	38,403	38,403	0
Other Financing Sources (Uses):					
Operating transfers out		(38,403)	(38,403)	(38,403)	0
Total Other Financing Sources (Uses)	0	(38,403)	(38,403)	(38,403)	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010,	0	0	0	0	0
June 30, 2011	$ 0	$ 0	$ 0	$ 0	$ 0

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

INDIANOLA SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
ARRA IDEA Part B Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 278,632	$ 303,898	$ 303,898	$ 25,266	$ 0
Total Revenues	278,632	303,898	303,898	25,266	0
Expenditures:					
Instruction	87,601	92,619	92,619	(5,018)	0
Support services	170,595	202,113	202,113	(31,518)	0
Noninstructional services	1,000			1,000	0
Total Expenditures	259,196	294,732	294,732	(35,536)	0
Excess (Deficiency) of Revenues over (under) Expenditures	19,436	9,166	9,166	(10,270)	0
Other Financing Sources (Uses):					
Operating transfers out	(19,436)	(6,856)	(6,856)	12,580	0
Total Other Financing Sources (Uses)	(19,436)	(6,856)	(6,856)	12,580	0
Net Change in Fund Balances	0	2,310	2,310	2,310	0
Fund Balances:					
July 1, 2010, as originally reported				0	0
Prior period adjustments		(2,310)	(2,310)	(2,310)	0
July 1, 2010, as restated	0	(2,310)	(2,310)	(2,310)	0
June 30, 2011	$ 0	$ 0	$ 0	$ 0	$ 0

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

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
Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 271,235
National school lunch program	10.555	1,013,101
Total child nutrition cluster		1,284,336
Child Nutrition Discretionary Grants	10.579	75,932
Fresh Fruit and Vegetable Programs	10 582	25,545
Total passed-through Mississippi Department of Education		1,385,813
Total U.S. Department of Agriculture		1,385,813
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	59,028
Total U.S. Department of Defense		59,028
Federal Communications Commission		
Administered through the Universal Service Administrative Company.		
The schools and libraries program of the universal service fund	32.xxx	114,957
Total Federal Communications Commission		114,957
U.S. Department of Education		
Passed-through Mississippi Department of Education		
Career and technical education - basic grants to states	84.048	67,417
Rehabilitation services_vocational rehabilitation grants to states	84.126	1,246
Safe and drug-free schools and communities- state grants	84.186	16,665
Twenty-first century community learning centers	84.287	175,332
State grants for innovative programs	84 298	19,177
Education technology state grants	84.318	42,237
Gaining early awareness and readiness in undergraduate programs	84.334	7,921
Reading first state grants	84.357	37,075
Rural education	84 358	217,618
Improving teacher quality state grants	84 367	375,634
ARRA - Education technology state grants, Recovery Act	84.386	895
Education Jobs Fund	84.410	492,339
Subtotal		1,453,556
Title I cluster:		
Title I grants to local educational agencies	84 010	1,685,536
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	261,859
Total Title I cluster		1,947,395
Special education cluster:		
Special education - grants to states	84.027	700,507
Special education - preschool grants	84.173	16,816
ARRA - Special education grants to states, Recovery Act	84 391	301,588
ARRA - Special education - preschool grants, Recovery Act	84.392	19,645
Total special education cluster		1,038,556
State Fiscal Stabilization Fund cluster		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84 394	659,318
Total State Fiscal Stabilization Fund cluster		659,318
School improvement grant cluster		
School improvement grants	84.377	17,155
ARRA - School improvement grants, Recovery Act	84.388	1,248,060
Total School Improvement Grants Cluster		1,265,215
Total passed-through Mississippi Department of Education		6,364,040
Total U.S. Department of Education		6,364,040
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	60,448
Total passed-through Mississippi Department of Education		60,448
Total U.S. Department of Health and Human Services		60,448
U.S. Department of Interior Fish and Wildlife Service		
Direct Program:		
Multi state conservation grant program	15.628	36,056
Total U.S. Department of Interior Fish and Wildlife Service		36,056
Total for All Federal Awards		$ 8,020,342

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements
2. The expenditure amounts include transfers out.

INDIANOLA SCHOOL DISTRICT
Supplemental Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2011

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	13,327,424	9,982,400	856,882	948,473	1,539,669
Other		6,047,196	2,495,974	345,484	8,442	3,197,296
Total	$	19,374,620	12,478,374	1,202,366	956,915	4,736,965
Total number of students *		2,071				
Cost per student	$	9,355	6,025	581	462	2,287

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.

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

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

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

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

OTHER INFORMATION

INDIANOLA SCHOOL DISTRICT
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 3,335,769	$ 2,744,577	$ 2,803,711	$ 2,606,052
State sources	8,725,800	9,253,839	11,422,667	11,908,846
Federal sources	279,247	271,265	130,703	32,967
Total Revenues	12,340,816	12,269,681	14,357,081	14,547,865
Expenditures:				
Instruction	5,669,359	6,539,699	8,658,526	10,404,220
Support services	4,078,519	4,622,892	5,121,514	5,728,577
Noninstructional services			17,419	14,897
Facilities acquisition and construction				2,689
Total Expenditures	9,747,878	11,162,591	13,797,459	16,150,383
Excess (Deficiency) of Revenues over (under) Expenditures	2,592,938	1,107,090	559,622	(1,602,518)
Other Financing Sources (Uses):				
Bonds and notes issued			1,800,000	
Capital leases issued				1,000,226
Insurance recovery	138,365	4,009	500	58,901
Operating transfers in	292,292	217,345	524,491	22,926
Other financing sources			30,374	
Operating transfers out	(753,557)	(376,708)	(806,856)	(655,028)
Other financing uses	(71,227)	(44,417)	(2,198)	(20,632)
Total Other Financing Sources (Uses)	(394,127)	(199,771)	1,546,311	406,393
Net Change in Fund Balances	2,198,811	907,319	2,105,933	(1,196,125)
Fund Balances:				
Beginning of period, as originally reported	2,372,082	1,680,513	(425,420)	956,251
Prior period adjustments	(28,383)	(215,750)		(185,546)
Beginning of period, as restated	2,343,699	1,464,763	(425,420)	770,705
End of Period	$ 4,542,510	$ 2,372,082	$ 1,680,513	$ (425,420)

*SOURCE - PRIOR YEAR AUDIT REPORTS

INDIANOLA SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 3,585,786	$ 3,000,802	$ 3,467,140	$ 3,416,208
State sources	10,147,502	10,627,516	12,383,154	12,797,189
Federal sources	7,999,587	5,892,587	4,825,704	3,836,996
Sixteenth section sources	143,947	134,273	171,959	121,667
Total Revenues	21,876,822	19,655,178	20,847,957	20,172,060
Expenditures:				
Instruction	9,292,915	9,595,340	11,512,663	13,039,058
Support services	7,417,805	6,895,822	6,629,417	7,037,310
Noninstructional services	1,384,667	1,419,513	1,476,727	1,332,245
Sixteenth section	477	170	44,406	10,537
Facilities acquisition and construction				2,689
Debt service:				
Principal	1,083,696	461,246	888,907	601,104
Interest	192,975	212,547	244,610	448,128
Other	2,085	550	4,626	179,010
Total Expenditures	19,374,620	18,585,188	20,801,356	22,650,081
Excess (Deficiency) of Revenues over (under) Expenditures	2,502,202	1,069,990	46,601	(2,478,021)
Other Financing Sources (Uses):				
Bonds and notes issued			1,800,000	
Capital leases issued				1,000,226
Insurance recovery	138,365	4,009	500	58,901
Sale of other property	3,955			
Operating transfers in	1,151,014	699,427	1,434,780	1,015,643
Other financing sources			30,374	3,349
Operating transfers out	(1,151,014)	(699,427)	(1,434,780)	(1,015,643)
Other financing uses	(364,969)	(44,417)	(2,198)	(20,632)
Total Other Financing Sources (Uses)	(222,649)	(40,408)	1,828,676	1,041,844
Net Change in Fund Balances	2,279,553	1,029,582	1,875,277	(1,436,177)
Fund Balances:				
Beginning of period, as originally reported	3,715,620	3,000,495	1,122,398	2,756,655
Prior period adjustments	25,885	(315,009)		(185,546)
Beginning of period, as restated	3,741,505	2,685,486	1,122,398	2,571,109
Increase (Decrease) in reserve for inventory	(10,344)	552	2,820	(12,534)
End of Period	$ 6,010,714	$ 3,715,620	$ 3,000,495	$ 1,122,398

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WWS

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Certified Public Accountants

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

Superintendent and School Board
Indianola School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Indianola School District as of and for the year ended June 30, 2011, which collectively comprise Indianola School District's basic financial statements and have issued our report thereon dated January 19, 2012. 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

Management of Indianola School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
January 19, 2012

Watkins Ward and Stafford PLLC

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INDEPENDENT AUDITOR'S REPORT

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

Superintendent and School Board
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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Indianola School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Indianola School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 Indianola School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a

deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
January 19, 2012

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

WWS

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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, 2011, which collectively comprise Indianola School District's basic financial statements and have issued our report thereon dated January 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $20,499 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
January 19, 2012

Watkins Ward & Stafford PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INDIANOLA SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued:	Unqualified
2.	Internal control over financial reporting:	
	a. Material weakness identified?	No
	b. Significant deficiency identified?	None reported
3.	Noncompliance material to financial statements noted?	No

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Significant deficiency identified?	None reported
5.	Type of auditor's report issued on compliance for major programs:	Unqualified
6.	Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010; 84.389	Title I Cluster
84.394	ARRA- State Fiscal Stabilization Fund – Grants for States, Recovery Act
84.377; 84.388	(SIG) School Improvement Grant Cluster
84.410	Education Jobs Fund
84.367	Improving Teacher Quality State Grants

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

INDIANOLA SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

AND / OR

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

Indianola School District
702 Highway 82 East
Indianola, MS 38751
George Gilreath, Conservator
King David Rush, Superintendent
Sheila Freeman, Business Manager

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section ___.315(b) of OMB Circular A-133, the Indianola School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2011:

Findings	Status
2010-1	Corrected