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SOUTH PIKE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

LOWERY, PAYN, AND LEGGETT
CERTIFIED PUBLIC ACCOUNTANTS

SOUTH PIKE SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS 14
- Government-wide Financial Statements
  - Exhibit A – Statement of Net Assets 15
  - Exhibit B – Statement of Activities 16
- Governmental Funds Financial Statements
  - Exhibit C – Balance Sheet 17
  - Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets 18
  - Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances 19
  - Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 20
- Fiduciary Funds Financial Statements
  - Exhibit E – Statement of Fiduciary Assets and Liabilities 21
- Notes to the Financial Statements 22

REQUIRED SUPPLEMENTAL INFORMATION
- Budgetary Comparison Schedule – General Fund 39
- Budgetary Comparison Schedules – Special Revenue Funds 40
- Notes to the Required Supplemental Information 43

SUPPLEMENTAL INFORMATION
- Schedule of Expenditures of Federal Awards 45
- Schedule of Instructional, Administrative and Other Expenditures Governmental Funds 47

OTHER INFORMATION
- Statement of Revenues, Expenditures and Changes in Fund Balances General Fund – Last Four Years 49
- Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Funds – Last Four Years 50

REPORTS ON INTERNAL CONTROL AND COMPLIANCE
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 52
- Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 54

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 57

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 60

AUDITEES CORRECTIVE ACTION PLAN AND SCHEDULE OF PRIOR AUDIT FINDINGS 62

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
South Pike School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Pike School District as of and for the year ended June 30, 2011, which collectively comprise the South Pike School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Pike School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 South Pike 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 December 14, 2012 on our consideration of the South Pike 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 South Pike 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 South Pike 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.

Lowery Payn & Leggett

Lowery, Payn and Leggett

December 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Pike School District

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Dr. Estes Taplin
Superintendent
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The following discussion and analysis of South Pike 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 $1,938,098, which represents a 14% increase from fiscal year 2010. Total net assets for 2010 increased $1,033,474, including a prior period adjustment of $(5,559), which represents an 8% increase from fiscal year 2009.

- General revenues amounted to $13,720,380 and $13,623,334, or 70% and 70% 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 $5,773,967, or 30% of total revenues for 2011, and $5,701,186, or 30% of total revenues for 2010.

- The District had $17,556,249 and $18,285,487 in expenses for fiscal years 2011 and 2010; only $5,773,967 for 2011 and $5,701,186 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $13,720,380 for 2011 and $13,623,334 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $12,112,888 in revenues and $9,932,870 in expenditures for 2011, and $12,173,157 in revenues and $11,877,351 in expenditures in 2010. The General Fund's fund balance increased by $2,122,083 from 2010 to 2011, and decreased by $50,735, including a prior period adjustment of $(32,816), from 2009 to 2010.

- Capital assets, net of accumulated depreciation, increased by $761,746 for 2011 and increased by $2,230,858 for 2010. The increase for 2011 was due primarily to the completion of the new Junior High building and the Eva Gordon Clinic.

- Long-term debt increased by $1,311,837 for 2011 and decreased by $313,848 for 2010. The increase for 2011 was due primarily to the issuance of qualified school construction bonds in the amount of $1,500,000 during the fiscal year. The liability for compensated absences increased by $4,837 for 2011 and decreased by $3,865 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 nonfiduciary 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 $16,077,562 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	$ 8,882,749	$ 6,975,369	27.34 %
Restricted assets	1,182,454	979,752	20.69 %
Capital assets, net	11,400,723	10,638,977	7.16 %
Total assets	**21,465,926**	**18,594,098**	**15.44 %**
Current liabilities	498,181	876,288	(43.15) %
Long-term debt outstanding	4,890,183	3,578,346	36.66 %
Total liabilities	**5,388,364**	**4,454,634**	**20.96 %**
Net assets:			
Invested in capital assets, net of related debt	8,164,973	8,773,439	(6.94) %
Restricted	2,923,297	2,440,833	19.77 %
Unrestricted	4,989,292	2,925,192	70.56 %
Total net assets	**$ 16,077,562**	**$ 14,139,464**	**13.71 %**

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

- Increase in net capital assets in the amount of $761,746.
- Proceeds from the issuance of qualified school construction bonds in the amount of $1,500,000.
- The principal retirement of $193,000 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

$19,494,347 and $19,324,520, respectively. The total cost of all programs and services was $17,556,249 for 2011 and $18,285,487 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	$ 249,275	$ 254,282	(1.97) %
Operating grants and contributions	5,524,692	5,446,904	1.43 %
General revenues:			
Property taxes	4,136,574	3,947,846	4.78 %
Grants and contributions not restricted	8,907,967	9,136,820	(2.50) %
Investment earnings	219,120	234,319	(6.49) %
Sixteenth section sources	286,486	210,026	36.41 %
Other	170,233	94,323	80.48 %
Total revenues	**19,494,347**	**19,324,520**	**0.88 %**
Expenses:			
Instruction	9,095,434	10,014,873	(9.18) %
Support services	7,045,631	6,784,076	3.86 %
Non-instructional	1,265,719	1,309,662	(3.36) %
Sixteenth section	29,531	47,896	(38.34) %
Interest and other expenses on long-term liabilities	119,934	128,980	(7.01) %
Total expenses	**17,556,249**	**18,285,487**	**(3.99) %**
Increase (Decrease) in net assets	**1,938,098**	**1,039,033**	**86.53 %**
Net Assets, July 1, as originally reported	**14,139,464**	**13,105,990**	7.89 %
Prior Period Adjustment	-	**(5,559)**	(100.00) %
Net Assets, July 1, as restated	**14,139,464**	**13,100,431**	**7.93 %**
Net Assets, June 30	**$ 16,077,562**	**$ 14,139,464**	**13.71 %**

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	$ 9,095,434	$ 10,014,873	(9.18) %
Support services	7,045,631	6,784,076	3.86 %
Non-instructional	1,265,719	1,309,662	(3.36) %
Sixteenth section	29,531	47,896	(38.34) %
Interest on long-term liabilities	119,934	128,980	(7.01) %
Total expenses	**$ 17,556,249**	**$ 18,285,487**	**(3.99) %**

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	$ (6,265,308)	$ (6,896,441)	(9.15) %
Support services	(5,370,653)	(5,578,887)	(3.73) %
Non-instructional	(29,007)	49,297	(158.84) %
Sixteenth section	2,620	(29,290)	(108.95) %
Interest on long-term liabilities	(119,934)	(128,980)	(7.01) %
Total net (expense) revenue	**$ (11,782,282)**	**$ (12,584,301)**	**(6.37) %**

- Net cost of governmental activities ($11,782,282 for 2011 and $12,584,301 for 2010) was financed by general revenue, which is primarily made up of property taxes ($4,136,574 for 2011 and $3,947,846 for 2010) and state and federal revenues ($8,907,967 for 2011 and $9,136,820 for 2010). In addition, there was $286,486 and $210,026 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $219,120 for 2011 and $234,319 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 $9,597,399, an increase of $2,486,069, which includes an increase in reserve for inventory of $18,385. $4,941,106, or 51%, 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 $4,656,293, or

49%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $2,122,083, due primarily to the District's conservative approach to budgeting and spending during the fiscal year. The fund balance of Other Governmental Funds showed an increase in the amount of $230,743. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Child Nutrition Fund	$	52,594
Title I Fund		no increase or decrease
QSCB Fund	$	1,468,091
Three Mill Loan Construction Fund	$	(1,387,442)

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from local sources in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately $535,000 in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the actual federal revenue received and expenditures reported in the Budget Stabilization Fund.
- 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 actual federal revenue received and expenditures incurred in the Budget Stabilization Fund.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for revenues and expenditures in various special revenue funds receiving federal funding were revised during the fiscal year to reflect actual revenue received and expenditures incurred during the fiscal year.
- The budget was amended to reflect proceeds from the issuance of qualified school construction bonds in the QSCB Fund. The budget was also amended to reflect the revenue from local sources and expenditures related to the issuance of these bonds and the noncapital expenditures incurred during the fiscal year.

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 $19,448,730, including land, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of $1,627,705 from 2010, due primarily to expenditures incurred during the fiscal year related to the completion of the new Junior High building and the Eva Gordon Clinic. Total accumulated depreciation as of June 30, 2011, was $8,048,007, and total depreciation expense for the year was $879,683, resulting in total net capital assets of $11,400,723.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 344,586	$ 344,586	0.00 %
Construction in Progress	-	1,843,284	(100.00) %
Buildings	8,152,256	5,005,143	62.88 %
Building improvements	1,509,544	1,585,317	(4.78) %
Improvements other than buildings	21,270	23,929	(11.11) %
Mobile equipment	1,066,391	1,262,106	(15.51) %
Furniture and equipment	306,676	574,612	(46.63) %
Total	**$ 11,400,723**	**$ 10,638,977**	**7.16 %**

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

Debt Administration. At June 30, 2011, the District had $4,890,183 in outstanding long-term debt, of which $206,209 is due within one year. During the fiscal year, the District received proceeds from the issuance of qualified school construction bonds in the amount of $1,500,000. The District made principal payments in the amount of $193,000 on existing long-term debt. The liability for compensated absences increased $4,837 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
Three mill notes payable	$ 2,766,000	$ 2,959,000	(6.52) %
Qualified zone academy bonds payable	500,000	500,000	0.00 %
Qualified school construction bonds payable	1,500,000	-	N/A %
Compensated absences payable	124,183	119,346	4.05 %
Total	**$ 4,890,183**	**$ 3,578,346**	**36.66 %**

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the South Pike School District, 250 W. Bay Street, Magnolia, MS 39652.

FINANCIAL STATEMENTS

SOUTH PIKE SCHOOL DISTRICT

Statement of Net Assets **Exhibit A**
June 30, 2011

		Governmental Activities
Assets		
Cash and cash equivalents	$	7,968,505
Due from other governments		847,936
Inventories		66,308
Restricted assets		1,182,454
Capital assets, non-depreciable:		
Land		344,586
Capital assets, net of accumulated depreciation:		
Buildings		8,152,256
Building improvements		1,509,544
Improvements other than buildings		21,270
Mobile equipment		1,066,391
Furniture and equipment		306,676
Total Assets		21,465,926
Liabilities		
Accounts payable and accrued liabilities		454,946
Unearned revenue		12,858
Interest payable on long-term liabilities		30,377
Long-term liabilities, due within one year:		
Capital related liabilities		200,000
Non-capital related liabilities		6,209
Long-term liabilities, due beyond one year:		
Capital related liabilities		3,066,000
Non-capital related liabilities		1,617,974
Total Liabilities		5,388,364
Net Assets		
Invested in capital assets, net of related debt		8,164,973
Restricted for:		
Expendable:		
School-based activities		1,137,125
Debt service		689,403
Forestry improvements		137,121
Unemployment benefits		60,764
Non-expendable:		
Sixteenth section		898,884
Unrestricted		4,989,292
Total Net Assets	$	16,077,562

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

SOUTH PIKE SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 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	$ 9,095,434	$ 106,224	$ 2,723,902	$ -	$ (6,265,308)
Support services	7,045,631	-	1,674,978	-	(5,370,653)
Non-instructional	1,265,719	110,900	1,125,812	-	(29,007)
Sixteenth section	29,531	32,151	-	-	2,620
Interest on long-term liabilities	119,934	-	-	-	(119,934)
Total Governmental Activities	$ 17,556,249	$ 249,275	$ 5,524,692	$ -	$ (11,782,282)

General Revenues:	
Taxes:	
General purpose levies	3,932,161
Debt purpose levies	204,413
Unrestricted grants and contributions:	
State	8,249,417
Federal	658,550
Unrestricted investment earnings	219,120
Sixteenth section sources	286,486
Other	170,233
Total General Revenues	13,720,380
Change in Net Assets	1,938,098
Net Assets - Beginning	14,139,464
Net Assets - Ending	$ 16,077,562

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

SOUTH PIKE SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds						
	General Fund	Child Nutrition Fund	Title I Fund	QSCB Fund	Three Mill Loan Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 4,470,345	$ 422,950	$ -	$ 1,468,091	$ 211,656	$ 2,141,982	$ 8,715,024
Cash with fiscal agents	-	-	-	-	-	987	987
Investments	-	-	-	-	-	434,948	434,948
Due from other governments	169,135	-	199,204	-	-	193,157	561,496
Due from other funds	893,274	2,111	-	-	-	69,215	964,600
Advance to other funds	-	-	-	-	-	270,000	270,000
Inventories	-	66,308	-	-	-	-	66,308
Total assets	$ 5,532,754	$ 491,369	$ 199,204	$ 1,468,091	$ 211,656	$ 3,110,289	$ 11,013,363
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 161,593	$ 8,409	$ 25,393	$ -	$ 190,595	$ 68,956	$ 454,946
Due to other funds	69,215	300,000	173,811	-	-	135,134	678,160
Advances from other funds	270,000	-	-	-	-	-	270,000
Unearned revenue	-	-	-	-	-	12,858	12,858
Total Liabilities	500,808	308,409	199,204	-	190,595	216,948	1,415,964
Fund Balances:							
Nonspendable:							
Inventory	-	66,308	-	-	-	-	66,308
Permanent fund principal	-	-	-	-	-	628,884	628,884
Advances	-	-	-	-	-	270,000	270,000
Restricted:							
Debt service	-	-	-	-	-	719,780	719,780
Capital projects	-	-	-	-	-	30,250	30,250
Forestry improvement purposes	-	-	-	-	-	137,121	137,121
Unemployment benefits	-	-	-	-	-	60,764	60,764
Other commitments	-	116,652	-	1,468,091	-	954,165	2,538,908
Assigned:							
Capital improvements	-	-	-	-	21,061	41,523	62,584
Other purposes	90,840	-	-	-	-	50,854	141,694
Unassigned	4,941,106	-	-	-	-	-	4,941,106
Total Fund Balances	5,031,946	182,960	-	1,468,091	21,061	2,893,341	9,597,399
Total Liabilities and Fund Balances	$ 5,532,754	$ 491,369	$ 199,204	$ 1,468,091	$ 211,656	$ 3,110,289	$ 11,013,363

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

LOWERY, PAYN, AND LEGGETT
CERTIFIED PUBLIC ACCOUNTANTS

SOUTH PIKE 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		$	9,597,399
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	$ 344,586		
Buildings	11,653,829		
Building improvements	1,894,327		
Improvements other than buildings	66,470		
Mobile equipment	2,542,822		
Furniture and equipment	2,946,696		
Accumulated depreciation	(8,048,007)		11,400,723
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:			
Other bonds payable	(2,000,000)		
Notes payable	(2,766,000)		
Compensated absences	(124,183)		
Accrued interest payable	(30,377)		(4,920,560)
Net assets of governmental activities		$	16,077,562

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

SOUTH PIKE SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2011

Exhibit D

	Major Funds						
	General Fund	Child Nutrition Fund	Title I Fund	QSCB Fund	Three Mill Loan Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	$ 3,662,211	$ 145,398	$ -	$ 19,099	$ 18,883	$ 827,304	$ 4,672,895
Intermediate sources	-	-	-	-	-	26,356	26,356
State sources	8,289,647	11,832	-	-	-	221,604	8,523,083
Federal sources	161,030	1,102,388	1,544,239	-	-	3,101,919	5,909,576
Sixteenth section sources	-	-	-	-	-	361,787	361,787
Total Revenues	12,112,888	1,259,618	1,544,239	19,099	18,883	4,538,970	19,493,697
Expenditures:							
Instruction	5,297,791	-	967,759	-	-	2,582,472	8,848,022
Support services	4,622,479	98,598	476,574	47,973	-	1,338,750	6,584,374
Noninstructional services	-	1,126,811	74,906	-	-	28,453	1,230,170
Sixteenth section	-	-	-	-	-	29,531	29,531
Facilities acquisition and construction	-	-	-	-	1,471,325	47,537	1,518,862
Debt service							
Principal	-	-	-	-	-	193,000	193,000
Interest	12,600	-	-	-	-	105,769	118,369
Other	-	-	-	3,035	-	650	3,685
Total Expenditures	9,932,870	1,225,409	1,519,239	51,008	1,471,325	4,326,162	18,526,013
Excess (Deficiency) of Revenues over (under) Expenditures	2,180,018	34,209	25,000	(31,909)	(1,452,442)	212,808	967,684
Other Financing Sources (Uses):							
Bonds and notes issued	-	-	-	1,500,000	-	-	1,500,000
Payments held by debt escrow agent	-	-	-	-	-	68,565	68,565
Payment to Qualified Zone Academy debt escrow agent	(68,565)	-	-	-	-	-	(68,565)
Operating transfers in	106,280	-	-	-	65,000	109,432	280,712
Other financing sources	-	-	-	-	-	650	650
Operating transfers out	(95,000)	-	(25,000)	-	-	(160,712)	(280,712)
Other financing uses	(650)	-	-	-	-	-	(650)
Total Other Financing Sources (Uses)	(57,935)	-	(25,000)	1,500,000	65,000	17,935	1,500,000
Net Change in Fund Balances	2,122,083	34,209	-	1,468,091	(1,387,442)	230,743	2,467,684
Fund Balances:							
July 1, 2010	2,909,863	130,366	-	-	1,408,503	2,662,598	7,111,330
Increase (Decrease) in reserve for inventory	-	18,385	-	-	-	-	18,385
June 30, 2011	$ 5,031,946	$ 182,960	$ -	$ 1,468,091	$ 21,061	$ 2,893,341	$ 9,597,399

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

LOWERY, PAYN, AND LEGGETT
CERTIFIED PUBLIC ACCOUNTANTS

SOUTH PIKE 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		$ 2,467,684
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	$ 1,641,568	
Depreciation expense	(879,683)	761,885
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.		(139)
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:		
Bonds and notes issued	(1,500,000)	
Payments of debt principal	193,000	
Accrued interest payable	2,120	(1,304,880)
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	(4,837)	
Change in inventory reserve	18,385	13,548
Change in net assets of governmental activities		$ 1,938,098

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

SOUTH PIKE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2011

		Agency Funds
Assets		
Cash and cash equivalents	$	947,581
Total Assets	$	947,581
Liabilities		
Accounts payable and accrued liabilities	$	617,071
Due to other funds		286,440
Due to student clubs		44,070
Total Liabilities	$	947,581

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 nonspendable, 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

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.

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

Title I Fund – This fund accounts for the federal revenues and expenditures associated with federal funding for Title I programs.

QSCB Fund – This fund accounts for the revenues and expenditures associated with the Qualified School Construction Bonds.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, 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.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. 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 Finance Director pursuant to authorization established by board 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, Cash with Fiscal Agents, and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $8,715,024 and $947,581, 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 $9,785,412 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $ 987.

Investments

As of June 30, 2011, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	Note rated	Less than 1 year	$ 434,948
Total			$ 434,948

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

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

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

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

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	Child Nutrition fund	$ 300,000
	Other governmental funds	133,023
	Title I fund	173,811
	Fiduciary funds	286,440
Child Nutrition Fund	Other governmental funds	2,111
Other governmental funds	General Fund	69,215
Total		$ 964,600

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

B. Advances To/From Other Funds

Receivable Fund	Payable Fund		Amount
Other governmental funds	General Fund	$	270,000
Total		$	270,000

Advances were made for cash flow reasons.

Sixteenth section principal loans payable

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

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

Year Ending June 30		Principal		Interest		Total
2012	$	45,000	$	10,800	$	55,800
2013		45,000		9,000		54,000
2014		45,000		7,200		52,200
2015		45,000		5,400		50,400
2016		45,000		3,600		48,600
2017		45,000		1,800		46,800
Total	$	270,000	$	37,800	$	307,800

C. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Three mill loan const. fund	$	65,000
	Other governmental funds		30,000
Title I fund	Other governmental funds		25,000
Other governmental funds	General Fund		106,280
	Other governmental funds		54,432
Total		$	280,712

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling $ 746,519 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 and investment balance, totaling $987 and $434,948, respectively, of the QZAB Bond Retirement Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Balance 6/30/2011
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 344,586	$	$		$ 344,586
Construction in progress	1,843,284	1,518,862		(3,362,146)	-
Total non-depreciable capital assets	2,187,870	1,518,862	-		344,586
Depreciable capital assets:					
Buildings	8,291,683			3,362,146	11,653,829
Building improvements	1,894,327				1,894,327
Improvements other than buildings	66,470				66,470
Mobile equipment	2,542,822				2,542,822
Furniture and equipment	2,837,853	122,706	13,863		2,946,696
Total depreciable capital assets	15,633,155	122,706	13,863	3,362,146	19,104,144
Less accumulated depreciation for:					
Buildings	3,286,540	215,033			3,501,573
Building improvements	309,010	75,773			384,783
Improvements other than buildings	42,541	2,659			45,200
Mobile equipment	1,280,716	195,715			1,476,431
Furniture and equipment	2,263,241	390,503	13,724		2,640,020
Total accumulated depreciation	7,182,048	879,683	13,724		8,048,007
Total depreciable capital assets, net	8,451,107	(756,977)	139	3,362,146	11,056,137
Governmental activities capital assets, net	$ 10,638,977	$ 761,885	$ 139	-	$ 11,400,723

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 243,376
Support services	582,615
Non-instructional	53,692
Total depreciation expense - Governmental activities	$ 879,683

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. Three mill notes payable	2,959,000		193,000	2,766,000	200,000
B. Qualified zone academy bonds payable	500,000			500,000	
C. Qualified school construction bonds payable		1,500,000		1,500,000	
D. Compensated absences payable	119,346	4,837		124,183	6,209
Total	$ 3,578,346	$ 1,504,837	$ 193,000	$ 4,890,183	$ 206,209

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes					
Series 2008	3.695%	12/19/2008	9/15/2023	$ 3,250,000	$ 2,766,000
Total				$ 3,250,000	$ 2,766,000

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

Three mill notes payable issue of 12/19/2008:

Year Ending June 30	Principal	Interest	Total
2012	$ 200,000	$ 98,509	$ 298,509
2013	208,000	90,971	298,971
2014	215,000	83,156	298,156
2015	223,000	75,063	298,063
2016	230,000	66,695	296,695
2017 – 2021	1,100,000	212,093	1,312,093
2022 – 2026	590,000	27,897	617,897
			-
Total	$ 2,766,000	$ 654,384	$ 3,420,384

This debt will be retired from the Three mill loan Fund.

B. Qualified zone academy bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds	0	1/15/2005	10/13/2014	$ 500,000	$ 500,000
Total				$ 500,000	$ 500,000

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds	5.80%	12/15/2010	12/15/2022	$ 1,500,000	$ 1,500,000
Total				$ 1,500,000	$ 1,500,000

D. Compensated absences payable

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

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 $1,150,178, $1,234,212 and $1,270,492, respectively, which equaled the required contributions for each year.

Note 8 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2012	$	34,989
2013		24,346
2014		10,118
2015		7,509
2016		5,152
2017 – 2021		24,859
2022 – 2026		24,234
2027 – 2031		23,867
2032 – 2036		23,381
Total	$	178,455

Note 9 – 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

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

Note 10 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. [The district has not had an additional assessment for excess losses incurred by the pool.]

Note 11 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank and Hancock Bank has entered into such an arrangement dated January 15, 2005.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before October 16, 2014. The amount on deposit at June 30, 2011 was $435,935. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was $0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2012	$	125,000
2013		125,000
2014		125,000
2015		125,000
2016		125,000
2017 – 2021		625,000
2022 – 2026		250,000
Total	$	1,500,000

Note 13 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the South Pike School District evaluated the activity of the district through December 14, 2012 and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

SOUTH PIKE 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	$ 3,987,275	$ 3,648,596	$ 3,662,211	$ (338,679)	$ 13,615
State sources	8,802,622	8,289,647	8,289,647	(512,975)	0
Federal sources	109,800	161,030	161,030	51,230	0
Total Revenues	12,899,697	12,099,273	12,112,888	(800,424)	13,615
Expenditures:					
Instruction	6,599,023	5,297,791	5,297,791	1,301,232	0
Support services	5,468,574	4,622,356	4,622,479	846,218	(123)
Facilities acquisition and construction	25,000	34,368		(9,368)	34,368
Debt service:					
Principal	45,000			45,000	0
Interest	12,600	12,600	12,600	0	0
Total Expenditures	12,150,197	9,967,115	9,932,870	2,183,082	34,245
Excess (Deficiency) of Revenues over (under) Expenditures	749,500	2,132,158	2,180,018	1,382,658	47,860
Other Financing Sources (Uses):					
Payment to Qualified Zone Academy debt escrow agent			(68,565)	0	(68,565)
Operating transfers in	2,334,481	2,280,661	106,280	(53,820)	(2,174,381)
Operating transfers out	(3,083,981)	(2,269,351)	(95,000)	814,630	2,174,351
Other financing uses			(650)	0	(650)
Total Other Financing Sources (Uses)	(749,500)	11,310	(57,935)	760,810	(69,245)
Net Change in Fund Balances	0	2,143,468	2,122,083	2,143,468	(21,385)
Fund Balances:					
July 1, 2010	1,000,000	1,008,506	2,909,863	8,506	1,901,357
June 30, 2011	$ 1,000,000	$ 3,151,974	$ 5,031,946	$ 2,151,974	$ 1,879,972

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

SOUTH PIKE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
Child Nutrition 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	$ 151,100	$ 143,398	$ 145,398	$ (7,702)	$ 2,000
State sources	10,000	11,832	11,832	1,832	0
Federal sources	972,021	1,023,024	1,102,388	51,003	79,364
Total Revenues	1,133,121	1,178,254	1,259,618	45,133	81,364
Expenditures:					
Support services	98,146	98,598	98,598	(452)	0
Noninstructional services	1,034,975	1,044,273	1,126,811	(9,298)	(82,538)
Total Expenditures	1,133,121	1,142,871	1,225,409	(9,750)	(82,538)
Excess (Deficiency) of Revenues over (under) Expenditures	0	35,383	34,209	35,383	(1,174)
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	0
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	35,383	34,209	35,383	(1,174)
Fund Balances:					
July 1, 2010	0	0	130,366	0	130,366
Increase (Decrease) in reserve for inventory	0	18,385	18,385	18,385	0
June 30, 2011	$ 0	$ 53,768	$ 182,960	$ 53,768	$ 129,192

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

SOUTH PIKE SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
Title I 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	1,227,975	1,544,239	1,544,239	316,264	0
Total Revenues	1,227,975	1,544,239	1,544,239	316,264	0
Expenditures:					
Instruction	802,305	967,759	967,759	(165,454)	0
Support services	361,602	476,574	476,574	(114,972)	0
Noninstructional services	64,068	74,906	74,906	(10,838)	0
Total Expenditures	1,227,975	1,519,239	1,519,239	(291,264)	0
Excess (Deficiency) of Revenues over (under) Expenditures	0	25,000	25,000	25,000	0
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	0
Operating transfers out	0	(25,000)	(25,000)	(25,000)	0
Total Other Financing Sources (Uses)	0	(25,000)	(25,000)	(25,000)	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.

SOUTH PIKE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
QSCB 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		19,099	19,099	19,099	0
Total Revenues	0	19,099	19,099	19,099	0
Expenditures:					
Support services	0	78,266	47,973	(78,266)	30,293
Debt service:					
Other	0	3,035	3,035	(3,035)	0
Total Expenditures	0	81,301	51,008	(81,301)	30,293
Excess (Deficiency) of Revenues over (under) Expenditures	0	(62,202)	(31,909)	(62,202)	30,293
Other Financing Sources (Uses):					
Bonds and notes issued	0	1,500,000	1,500,000	1,500,000	0
Total Other Financing Sources (Uses)	0	1,500,000	1,500,000	1,500,000	0
Net Change In Fund Balances	0	1,437,798	1,468,091	1,437,798	30,293
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	$ 1,437,798	$ 1,468,091	$ 1,437,798	$ 30,293

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

SOUTH PIKE SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year ended June 30, 2011

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

SOUTH PIKE 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		
Direct program:		
Emergency conservation program	10.054	$ 20,043
Total direct programs		20,043
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	271,296
National school lunch program	10.555	831,092
Summer food service program for children	10.559	5,977
Total child nutrition cluster		1,108,365
Fresh fruit and vegetable program	10.582	11,708
Total passed-through Mississippi Department of Education		1,120,073
Total U.S. Department of Agriculture		1,140,116
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	58,388
Total U.S. Department of Defense		58,388
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	61,029
Total Federal Communications Commission		61,029
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	211,101
Safe and drug-free schools and communities- state grants	84.186	8,178
Twenty-first century community learning centers	84.287	144,419
Education technology state grants	84.318	10,016
Job education funds	84.410	400,152
Reading first state grants	84.357	40,719
Rural education	84.358	47,320
School improvement grants	84.377	23,853
Improving teacher quality state grants	84.367	249,381
Subtotal		1,135,139
Title I cluster:		
Title I grants to local educational agencies	84.010	1,661,473
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	661,685
Total Title I cluster		2,323,158
Special education cluster:		
Special education - grants to states	84.027	397,366
Special education - preschool grants	84.173	24,640
ARRA - Special education grants to states, Recovery Act	84.391	126,661
ARRA - Special education - preschool grants, Recovery Act	84.392	31,709
Total special education cluster		580,376
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	535,865
Total State Fiscal Stabilization Fund cluster		535,865

SOUTH PIKE 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
Education for homeless children and youth cluster:		
Education for homeless children and youth	84.196	5,766
ARRA - Education for homeless children and youth, Recovery Act	84.387	5,706
Total Education for homeless children and youth cluster		11,472
Total passed-through Mississippi Department of Education		4,586,010
Total U.S. Department of Education		4,586,010
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Health and Human Services:		
Abstinence education program	93.235	14,000
Medical assistance program	93.778	8,420
Total passed-through Mississippi Department of Health and Human Services		22,420
Total U.S. Department of Health and Human Services		22,420
Total for All Federal Awards		$ 5,867,963

NOTES TO SCHEDULE

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

SOUTH PIKE SCHOOL DISTRICT

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	$ 13,022,859	9,618,791	683,523	760,678	1,959,867
Other	5,503,154	1,353,255	139,113	10,364	4,000,422
Total	$ 18,526,013	10,972,046	822,636	771,042	5,960,289
Total number of students *	1,819				
Cost per student	$ 10,185	6,032	452	424	3,277

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

SOUTH PIKESCHOOL 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	$ 3,662,211	$ 3,613,185	$ 3,435,164	$ 3,117,427
State sources	8,289,647	8,483,998	9,389,473	9,329,889
Federal sources	161,030	75,974	1,227,558	223,890
Total Revenues	12,112,888	12,173,157	14,052,195	12,671,206
Expenditures:				
Instruction	5,297,791	6,067,773	7,034,880	7,162,589
Support services	4,622,479	4,967,273	6,489,738	5,430,529
Noninstructional services				145
Sixteenth section				
Facilities acquisition and construction		808,587		
Debt service:				
Principal		18,983	36,983	35,711
Interest	12,600	14,735	17,852	20,924
Advance refunding escrow				
Other				
Total Expenditures	9,932,870	11,877,351	13,579,453	12,649,898
Excess (Deficiency) of Revenues over (under) Expenditures	2,180,018	295,806	472,742	21,308
Other Financing Sources (Uses):				
Insurance recovery			18,094	
Payment to refunded bond escrow agent		(175,000)		
Payment to Qualified Zone Academy debt escrow agent	(68,565)			
Operating transfers in	106,280	221,319	406,649	420,979
Operating transfers out	(95,000)	(359,394)	(77,621)	(713,509)
Other financing uses	(650)	(650)	(8,082)	
Total Other Financing Sources (Uses)	(57,935)	(313,725)	339,040	(292,530)
Net Change in Fund Balances	2,122,083	(17,919)	811,782	(271,222)
Fund Balances:				
Beginning of period, as originally reported	2,909,863	2,960,598	2,143,009	2,414,231
Prior period adjustments		(32,816)	5,807	
Beginning of period, as restated	2,909,863	2,927,782	2,148,816	2,414,231
Increase (Decrease) in reserve for inventory				
End of Period	$ 5,031,946	$ 2,909,863	$ 2,960,598	$ 2,143,009

*SOURCE - PRIOR YEAR AUDIT REPORTS

SOUTH PIKE 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	$ 4,672,895	$ 4,432,605	$ 4,323,161	$ 3,939,346
Intermediate sources	26,356	38,071	83,372	
State sources	8,523,083	9,163,334	9,986,178	10,360,505
Federal sources	5,909,576	5,420,390	5,598,237	4,445,144
Sixteenth section sources	361,787	270,120	783,246	213,238
Total Revenues	19,493,697	19,324,520	20,774,194	18,958,233
Expenditures:				
Instruction	8,848,022	10,057,675	9,911,274	10,215,686
Support services	6,584,374	6,377,072	8,295,397	6,713,200
Noninstructional services	1,230,170	1,280,149	1,301,278	1,231,526
Sixteenth section	29,531	47,896	47,223	21,204
Facilities acquisition and construction	1,518,862	2,625,371	2,000	462,952
Debt service:				
Principal	193,000	309,983	246,396	365,081
Interest	118,369	159,468	23,452	36,478
Other	3,685	650	650	1,307
Total Expenditures	18,526,013	20,858,264	19,827,670	19,047,434
Excess (Deficiency) of Revenues over (under) Expenditures	967,684	(1,533,744)	946,524	(89,201)
Other Financing Sources (Uses):				
Bonds and notes issued	1,500,000		3,250,000	
Insurance recovery			18,094	
Payment to escrow agent	68,565	175,000	35,000	35,650
Payment to Qualified Zone Academy debt escrow agent	(68,565)	(175,000)	(35,000)	(35,650)
Operating transfers in	280,712	788,713	867,564	1,134,488
Other financing sources	650	650		
Operating transfers out	(280,712)	(788,713)	(867,564)	(1,134,488)
Other financing uses	(650)	(650)	(8,082)	
Total Other Financing Sources (Uses)	1,500,000	0	3,260,012	0
Net Change in Fund Balances	2,467,684	(1,533,744)	4,206,536	(89,201)
Fund Balances:				
Beginning of period, as originally reported	7,111,330	8,653,700	4,438,225	4,528,019
Prior period adjustments		(5,559)	(3,203)	(5,631)
Beginning of period, as restated	7,111,330	8,648,141	4,435,022	4,522,388
Increase (Decrease) in reserve for inventory	18,385	(3,067)	12,142	5,038
End of Period	$ 9,597,399	$ 7,111,330	$ 8,653,700	$ 4,438,225

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board

South Pike School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Pike School District, as of and for the year ended June 30, 2011, which collectively comprise South Pike School District's basic financial statements and have issued our report thereon dated December 14, 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 South Pike School District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered South Pike 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 South Pike School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Pike 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 South Pike 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 management, school board, 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.

Lowery Payn + Leggett

Lowery, Payn and Leggett

December 14, 2012

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

Board of Directors

South Pike School District

Compliance

We have audited South Pike School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Pike School District's major federal programs for the year ended June 30, 2012. South Pike School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of South Pike School District's management. Our responsibility is to express an opinion on South Pike School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Pike 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 of South Pike School district's compliance with those requirements.

In our opinion, South Pike School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-01.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2011-01. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

South Pike School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit South Pike School District's response and, accordingly, we express no opinion on the response.

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

Lowery, Payn and Leggett

Lowery, Payn and Leggett

December 14, 2012

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

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

Superintendent and School Board
South Pike School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Pike School District as of and for the year ended June 30, 2011, which collectively comprise South Pike School District's basic financial statements and have issued our report thereon dated December 14, 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 $1,566 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.

Lowery, Payn, + Leggett

Lowery, Payn and Leggett

December 14, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH PIKE 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(es) identified? No
   b. Significant deficiency(ies) identified? None reported

3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
   a. Material weakness(es) identified? No
   b. Significant deficiency(ies) identified? Yes

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? Yes

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.410	Job education funds
84.394	ARRA State fiscal stabilization fund-Education State grants, Recovery Act
10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.010, 84.389	Title I Cluster

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

9. Auditee qualified as low-risk auditee? No

SOUTH PIKE 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

2011-01 Controls should be strengthened over fixed assets acquired with Federal Award funds.

Finding

Program: Title I Cluster
Title I grants to local educational agencies CFDA # 84.010
ARRA Title I grants to local educational agencies, Recovery Act CFDA #84.389

Compliance requirement: Equipment and Real Property Management

Management is required to maintain an equipment and property management system for its Federal Award programs and related activities that is adequate to meet the requirements of OMB Circular A-110.

During our test work of 10 pieces of equipment purchased with Title I funds, we were unable to locate one laptop computer. The district's fixed asset inventory management system did not allow management to be informed about the missing computer in a timely manner.

Inadequate controls over fixed assets acquired with federal funds could result in misappropriation of those fixed assets.

Recommendation

We recommend that the district improve control over fixed assets starting by performing a complete physical inventory of fixed assets purchased with Federal Award funds.

AUDITEE'S CORRECTIVE ACTION PLAN

AND

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

South Pike School District

http://www.southpike.org
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Magnolia, MS 39652
Telephone 601-783-0430
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Auditee's Summary of Prior Audit Findings

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

Finding	Status
2010-1	A search is performed on each federal vendor using the EPLS website prior to generating a purchase order. Search results are attached to the purchase order.
2010-2	Child Nutrition monthly reimbursement requests are reviewed by a District employee prior to submission. Reimbursement of $8,700 was returned to the MS State Treasury May 9, 2012.

South Pike School District

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Auditee's Summary of Prior Audit Findings

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

Finding	Status
2010-1	A search is performed on each federal vendor using the EPLS website prior to generating a purchase order. Search results are attached to the purchase order.
2010-2	Child Nutrition monthly reimbursement requests are reviewed by a District employee prior to submission. Reimbursement of $8,700 was returned to the MS State Treasury May 9, 2012.