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SOUTH PANOLA SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

Charles L. Shivers, CPA
Ridgeland, MS

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FINANCIAL AUDIT REPORT

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CHARLES L. SHIVERS
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
South Panola School District

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

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

In my 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 Panola 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*, I have also issued my report dated August 9, 2012, on my consideration of the South Panola School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Panola School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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

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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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Panola School District's basic financial statements. The 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, I do not express an opinion or provide any assurance on it.

Charles L. Shivers, CPA

Ridgeland, MS
August 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SOUTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of South Panola 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 $2,776,723 which represents a 15.7% increase from fiscal year 2010. Total net assets for 2010 increased $1,412,916, including a prior period adjustment of $38,777, which represents an 8.7% increase from fiscal year 2009.

- General revenues amounted to $29,201,549 and $29,177,064, or 72.6% and 73.9% 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 $11,027,927, or 27.4% of total revenues for 2011, and $10,291,432, or 26.1% of total revenues for 2010.

- The District had $37,452,753 and $38,094,357 in expenses for fiscal years 2011 and 2010; only $11,027,927 for 2011 and $10,291,432 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $29,201,549 for 2011 and $29,177,064 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $28,259,801in revenues and $26,010,077 in expenditures for 2011, and $28,150,690 in revenues and $26,999,796 in expenditures in 2010. The General Fund's fund balance increased by $1,760,426 from 2010 to 2011, and decreased by $581,262 from 2009 to 2010.

- Capital assets, net of accumulated depreciation, decreased by $531,757 for 2011 and increased by $53,588 for 2010. The decrease for 2011 was due to the increase in accumulated depreciation.

- Long-term debt decreased by $1,044,187 for 2011 and decreased by $734,600 for 2010. This decrease for 2011 was due primarily to the repayment of long-term debt. The liability for compensated absences increased by $5,769 for 2011 and increased by $20,400 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 and other expenses on long-term liabilities.

Fund Financial Statements

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

Governmental funds – 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 $20,470,574 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	$ 9,049,321	$ 7,944,614	13.91 %
Restricted assets	3,091,194	1,929,486	60.21 %
Capital assets, net	20,483,648	21,015,405	-2.53 %
Total assets	**32,624,163**	**30,889,505**	**5.62 %**
Current liabilities	910,268	908,146	0.23 %
Long-term debt outstanding	11,243,321	12,287,508	-8.50 %
Total liabilities	**12,153,589**	**13,195,654**	**-7.90 %**
Net assets:			
Invested in capital assets, net of related debt	11,084,676	10,616,433	4.41 %
Restricted	2,595,446	2,115,249	22.70 %
Unrestricted	6,790,452	4,962,169	36.84 %
Total net assets	**$ 20,470,574**	**$ 17,693,851**	**15.69 %**

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

- Decrease in net capital assets in the amount of $531,757.
- The principal retirement of $1,203,069 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 $40,229,476 and $39,468,496, respectively. The total cost of all programs and services was $37,452,753 for 2011 and $38,094,357 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	$ 937,824	$ 678,326	38.26 %
Operating grants and contributions	10,090,103	9,613,106	4.96 %
General revenues:			
Property taxes	8,969,971	8,713,071	2.95 %
Grants and contributions not restricted	19,795,710	20,027,126	(1.16) %
Investment earnings	107,433	175,886	(38.92) %
Sixteenth section sources	35,189	58,029	(39.36) %
Other	293,246	202,952	44.49 %
Total revenues	40,229,476	39,468,496	1.93 %
Expenses:			
Instruction	23,291,245	23,441,631	(0.64) %
Support services	11,121,475	11,821,592	(5.92) %
Non-instructional	2,534,155	2,288,463	10.74 %
Sixteenth section	1,299	4,596	(71.74) %
Interest and other expenses on long-term liabilities	504,579	538,075	(6.23) %
Total expenses	37,452,753	38,094,357	(1.68) %
Increase (Decrease) in net assets	2,776,723	1,374,139	102.07 %
Net Assets, July 1, as originally reported	17,693,851	16,280,935	8.68 %
Prior Period Adjustment	0	38,777	(100.00) %
Net Assets, July 1, as restated	17,693,851	16,319,712	8.42 %
Net Assets, June 30	$ 20,470,574	$ 17,693,851	15.69 %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest and other expenses on long-term liabilities. 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 Change
	2011	2010	
Instruction	$ 23,291,245	$ 23,441,631	(0.64) %
Support services	11,121,475	11,821,592	(5.92) %
Non-instructional	2,534,155	2,288,463	10.74 %
Sixteenth section	1,299	4,596	(71.74) %
Interest and other expenses on long-term liabilities	504,579	538,075	(6.23) %
Total expenses	$ 37,452,753	$ 38,094,357	(1.68) %

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	$ (16,382,493)	$ (17,054,543)	(3.94) %
Support services	(9,627,060)	(10,463,492)	(7.99) %
Non-instructional	90,605	257,781	(64.85) %
Sixteenth section	(1,299)	(4,596)	(71.74) %
Interest and other expenses on long-term liabilities	(504,579)	(538,075)	(6.23) %
Total net (expense) revenue	**$ (26,424,826)**	**$ (27,802,925)**	**(4.96) %**

- Net cost of governmental activities ($26,424,826 for 2011 and $27,802,925 for 2010) was financed by general revenue, which is primarily made up of property taxes ($8,969,971 for 2011 and $8,713,071 for 2010) and local, state and federal revenues ($19,795,710 for 2011 and $20,027,126 for 2010). In addition, there was $35,189 and $58,029 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $107,433 for 2011 and $175,886 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 $12,130,515, an increase of $2,256,415, which includes an increase in inventory of $2,643. $5,274,411 or 43.5% 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 $6,856,104 or 56.5% 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 $1,760,426. The fund balance of Other Governmental Funds showed an increase in the amount of $194,692, which includes an increase in reserve for inventory of $2,643. The increase in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	$ 0
School Improvement Fund	0
IDEA Part B Fund	0
Capital Projects Fund	23,670
QZAB Fund	277,627

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund(s) 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 $31,092,168, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents a increase of $126,737 from 2010.

Total accumulated depreciation as of June 30, 2011, was $10,608,520, and total depreciation expense for the year was $748,796, resulting in total net capital assets of $20,483,648.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 723,090	$ 723,090	0.00 %
Buildings	17,768,005	18,243,322	(2.61) %
Building improvements	370,724	379,794	(2.39) %
Improvements other than buildings	141,439	149,112	(5.15) %
Mobile equipment	1,402,563	1,433,069	(2.13) %
Furniture and equipment	77,827	87,018	(10.56) %
Total	**$ 20,483,648**	**$ 21,015,405**	**(2.53) %**

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 $11,243,321 in outstanding long-term debt, of which $1,375,253 is due within one year. The liability for compensated absences increased $5,769 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
General obligation refunding bonds payable	$ 4,225,000	$ 4,735,000	(10.77) %
Limited obligation refunding bonds payable	3,975,000	4,465,000	(10.97) %
Three mill notes payable	1,115,000	1,220,000	(8.61) %
Shortfall notes payable	365,044	310,000	17.76 %
Qualified zone academy bonds payable	1,198,972	1,198,972	0.00 %
Compensated absences payable	364,305	358,536	1.61 %
Total	**$ 11,243,321**	**$ 12,287,508**	**(8.50) %**

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

CURRENT ISSUES

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

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

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

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 Panola School District, 209 Boothe Street, Batesville, MS 38606.

FINANCIAL STATEMENTS

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South Panola School District
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 7,924,367
Due from other governments	1,075,871
Inventories	49,083
Restricted assets (Note 4)	3,091,194
Non-depreciable capital assets (Note 5)	723,090
Depreciable capital assets, net (Note 5)	19,760,558
Total Assets	32,624,163
Liabilities	
Unearned revenue	10,000
Interest payable on long-term liabilities	659,961
Deferred credit on bonds payable (Note 12)	240,307
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	1,040,000
Non-capital related liabilities	335,253
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	8,358,972
Non-capital related liabilities	1,509,096
Total Liabilities	12,153,589
Net assets	
Invested in capital assets, net of related debt	11,084,676
Restricted net assets	
Expendable	
School-based activities	795,930
Debt service	1,640,886
Forestry improvements	25,650
Unemployment benefits	99,365
Non-expendable	
Sixteenth section	33,615
Unrestricted	6,790,452
Total Net Assets	$ 20,470,574

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

South Panola School District
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities				
Instruction	$ 23,291,245	551,855	6,356,897	(16,382,493)
Support services	11,121,475	27,214	1,467,201	(9,627,060)
Non-instructional	2,534,155	358,755	2,266,005	90,605
Sixteenth section	1,299			(1,299)
Interest and other expenses on long-term liabilities	504,579			(504,579)
Total Governmental Activities	37,452,753	937,824	10,090,103	(26,424,826)
General Revenues				
Taxes				
General purpose levies				8,398,155
Debt purpose levies				571,816
Unrestricted grants and contributions				
Local				1,579,197
State				17,937,331
Federal				279,182
Unrestricted investment earnings				107,433
Sixteenth section sources				35,189
Other				293,246
Total General Revenues				29,201,549
Changes in Net Assets				2,776,723
Net Assets - Beginning				17,693,851
Net Assets - Ending				$ 20,470,574

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

South Panola School District
Balance Sheet - Governmental Funds
June 30, 2011

Exhibit C

	Major Funds							
	General Fund	Title I Fund	School Improvement Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents (Note 2)	$ 4,561,349	10,000			3,360,390	221,883	1,231,558	9,385,180
Cash with fiscal agent (Note 2)						2,456		2,456
Investments (Note 2)						1,588,078	39,847	1,627,925
Due from other governments	349,828	116,852	40,435	81,895		5,263	481,598	1,075,871
Due from other funds (Note 3)	363,234							363,234
Inventories							49,083	49,083
Total Assets	5,274,411	126,852	40,435	81,895	3,360,390	1,817,680	1,802,086	12,503,749
Liabilities and Fund Balances								
Liabilities								
Due to other funds (Note 3)		116,852	40,435	81,895			124,052	363,234
Unearned revenue		10,000						10,000
Total Liabilities	0	126,852	40,435	81,895	0	0	124,052	373,234
Fund Balances								
Nonexpendable								
Inventory							49,083	49,083
Permanent fund principal							33,615	33,615
Restricted								
Debt service						1,817,680	723,474	2,541,154
Forestry improvements							25,650	25,650
Unemployment benefits							99,365	99,365
Grant activities							746,847	746,847
Assigned								
Facility improvements					3,360,390			3,360,390
Unassigned	5,274,411							5,274,411
Total Fund Balances	5,274,411	0	0	0	3,360,390	1,817,680	1,678,034	12,130,515
Total Liabilities and Fund Balances	$ 5,274,411	126,852	40,435	81,895	3,360,390	1,817,680	1,802,086	12,503,749

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

South Panola School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

	Amount
Total Fund Balance - Governmental Funds	$ 12,130,515
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of $10,608,520.	20,483,648
Long-term deferred credit on bonds payable in the Statement of Net Assets is not reported in the governmental funds.	(240,307)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(11,243,321)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(659,961)
Total Net Assets - Governmental Activities	$ 20,470,574

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

South Panola School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2011

Exhibit D

	Major Funds							
	General Fund	Title I Fund	School Improvement Fund	IDEA Part B Fund	Capital Projects Fund	QZAB Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Local sources	$ 9,895,928				23,670	277,627	1,357,485	11,554,710
Intermediate sources							35,862	35,862
State sources	18,086,693						1,393,380	19,480,073
Federal sources	277,180	1,310,110	395,090	1,071,095			5,982,008	9,035,483
Sixteenth section sources							35,189	35,189
Total Revenues	28,259,801	1,310,110	395,090	1,071,095	23,670	277,627	8,803,924	40,141,317
Expenditures								
Instruction	16,083,758	889,663	395,090	771,098			4,670,401	22,810,010
Support services	9,926,319	348,174		270,764			580,139	11,125,396
Noninstructional services		49,164					2,427,422	2,476,586
Sixteenth section							1,299	1,299
Debt service								
Principal (Note 6)							1,203,069	1,203,069
Interest							428,774	428,774
Other							3,580	3,580
Total Expenditures	26,010,077	1,287,001	395,090	1,041,862	0	0	9,314,684	38,048,714
Excess (Deficiency) of Revenues over Expenditures	2,249,724	23,109	0	29,233	23,670	277,627	(510,760)	2,092,603
Other Financing Sources (Uses)								
Proceeds of loans (Note 6)	153,113							153,113
Insurances loss recoveries	8,056							8,056
Operating transfers in (Note 3)	216,781						867,314	1,084,095
Operating transfers out (Note 3)	(867,248)	(23,109)		(29,233)			(164,505)	(1,084,095)
Total Other Financing Sources (Uses)	(489,298)	(23,109)	0	(29,233)	0	0	702,809	161,169
Net Change in Fund Balances	1,760,426	0	0	0	23,670	277,627	192,049	2,253,772
Fund Balances								
July 1, 2010	3,513,985	0	0	0	3,336,720	1,540,053	1,483,342	9,874,100
Increase in reserve for inventory							2,643	2,643
June 30, 2011	$ 5,274,411	0	0	0	3,360,390	1,817,680	1,678,034	12,130,515

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

South Panola School District

Exhibit D-1

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

	Amount
Net Change in Fund Balance - Governmental Funds	$ 2,253,772
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to $227,561 and the depreciation expense amounted to $748,796.	(521,235)
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	80,103
The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	1,203,069
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	(153,113)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(72,225)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	(10,522)
An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	2,643
Expenses for compensated absences reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(5,769)
Changes in Net Assets of Governmental Activities	$ 2,776,723

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

South Panola School District
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents (Note 2)	$ 1,633,188
Investments (Note 2)	44,130
Total Assets	1,677,318
Liabilities	
Accounts payable and accrued liabilities	1,537,817
Due to student clubs	139,501
Total Liabilities	$ 1,677,318

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

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

C. **Government-wide and Fund Financial Statements**

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

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

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

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

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that is used to account for Federal funds whose use is limited to services for educationally deprived children.

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

IDEA Part B Fund - This is a special revenue fund that is used to account for Federal funds whose use is limited to special education services.

Capital Projects Fund - This capital projects fund is financed with local funds and management has assigned its use for construction, repairs and renovations of school buildings and related facilities.

QZAB Fund - This debt service fund is use to account for the retirement of the Qualified Zone Academy Bonds debt.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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."

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, there are other funds whose assets are legally restricted.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

7. Compensated Absences

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

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

8. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt 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 are no committed fund balances.

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 or Business Manager pursuant to authorization established by the School Board.

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 $9,418,795 (which includes $33,615 of certificates of deposit with original maturities beyond three months and reported on Exhibit C as investments) and $1,677,318 (which includes $44,130 of certificates of deposit with original maturities beyond three months and reported on Exhibit E as investments), 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.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was $2,456.

Investments.

As of June 30, 2011, the district had the following investments.

Investment Type	Rating	Maturities (in years)		Fair Value
Federated US Treasury Cash Reserve	AAAm	Less than 1 year	$	6,232
Certificates of Deposit	N/A	Less than 1 year		77,745
Federal Home Loan Bank	AAA	Less than 1 year		1,588,078
Total			$	1,672,055

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. As of June 30, 2011, the district did not have any investments to which this would apply.

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	Major fund - Title I Fund	$	116,852
	Major fund - School Improvemenr Fund		40,435
	Major fund - IDEA Part B Fund		81,895
	Other governmental funds		124,052
Total		$	363,234

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	867,248
Major fund - Title I Fund	General Fund		23,109
Major fund - IDEA Part B Fund	General Fund		29,233
Other governmental funds	General Fund		164,439
Other governmental funds	Other governmental funds		66
Total		$	1,084,095

The transfer out of the General Fund was for the purpose of funding certain programs in the Other Governmental Funds. The transfer out of the major funds and the Other Governmental Funds to the General Fund is for indirect cost and a transfer from the 16th section interest fund.

Note 4 – Restricted Assets

The restricted assets of $3,091,194 represent the cash, cash with fiscal agent and investment balances of certain funds which are legally restricted and may not be used for purposes that support the district's programs, e.g., debt service funds, 16th section principal fund, child nutrition program and certain other federally or state funded programs.

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 723,090				723,090
Total non-depreciable capital assets	723,090	0	0	0	723,090
Depreciable capital assets:					
Buildings	25,426,783				25,426,783
Building improvements	453,504				453,504
Improvements other than buildings	271,770				271,770
Mobile equipment	2,963,736	217,476	(100,824)	11,612	3,092,000
Furniture and equipment	1,126,548	10,085		(11,612)	1,125,021
Total depreciable capital assets	30,242,341	227,561	(100,824)	0	30,369,078
Less accumulated depreciation for:					
Buildings	7,183,461	475,317			7,658,778
Building improvements	73,710	9,070			82,780
Improvements other than buildings	122,658	7,673			130,331
Mobile equipment	1,530,667	237,575	(90,302)	11,497	1,689,437
Furniture and equipment	1,039,530	19,161		(11,497)	1,047,194
Total accumulated depreciation	9,950,026	748,796	(90,302)	0	10,608,520
Total depreciable capital assets, net	20,292,315	(521,235)	(10,522)	0	19,760,558
Governmental activities capital assets, net	$ 21,015,405	(521,235)	(10,522)	0	20,483,648

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 491,320
Support services	197,264
Non-instructional	60,212
Total depreciation expense - Governmental activities	$ 748,796

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. General obligation refunding bonds payable	$ 4,735,000		510,000	4,225,000	535,000
B. Limited obligation refunding bonds payable	4,465,000		490,000	3,975,000	505,000
C. Three mill notes payable	1,220,000		105,000	1,115,000	165,000
D. Shortfall notes payable	310,000	153,113	98,069	365,044	152,038
E. Qualified zone academy bonds payable	1,198,972			1,198,972	0
F. Compensated absences payable	358,536	5,769		364,305	18,215
Total	$ 12,287,508	158,882	1,203,069	11,243,321	1,375,253

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, series 2005	4.0	12/15/2005	3/1/2018	$ 5,460,000	$ 4,225,000

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

Year Ending June 30	Principal	Interest	Total
2012	$ 535,000	169,000	704,000
2013	555,000	147,600	702,600
2014	575,000	125,400	700,400
2015	600,000	102,400	702,400
2016	625,000	78,400	703,400
2017 – 2018	1,335,000	80,600	1,415,600
Total	$ 4,225,000	703,400	4,928,400

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 2.5% of property assessments as of October 1, 2010.

B. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds payable, series 2006	3.5-4.0	5/4/2006	3/1/2018	$ 6,140,000	$ 3,975,000

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

Year Ending June 30	Principal	Interest	Total
2012	$ 505,000	154,406	659,406
2013	525,000	136,100	661,100
2014	545,000	116,412	661,412
2015	565,000	95,293	660,293
2016	590,000	74,900	664,900
2017 – 2018	1,245,000	75,200	1,320,200
Total	$ 3,975,000	652,311	4,627,311

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

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year notes, series 2007	3.85-4.25	8/1/2007	6/1/2017	$ 1,500,000	$ 1,115,000

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

2012	$ 165,000	46,075	211,075
2013	170,000	39,475	209,475
2014	180,000	32,590	212,590
2015	190,000	25,210	215,210
2016	200,000	17,325	217,325
2017 – 2021	210,000	8,925	218,925
Total	$ 1,115,000	169,600	1,284,600

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

D. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall notes, series 2009	5.5	8/19/2009	8/19/2012	$ 310,000	$ 211,931
2. Shortfall notes, series 2010	4.45	8/23/2010	8/23/2013	153,113	153,113
Total				$ 463,113	$ 365,044

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

1. Shortfall notes, series 2009:

Year Ending June 30		Principal	Interest	Total
2012	$	103,237	11,833	115,070
2013		108,694	6,093	114,787
Total	$	211,931	17,926	229,857

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

2. Shortfall notes, series 2010:

Year Ending June 30		Principal	Interest	Total
2012	$	48,801	6,914	55,715
2013		51,004	4,710	55,714
2014		53,308	2,407	55,715
Total	$	153,113	14,031	167,144

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

Total shortfall notes payable payments for all issues:

Year Ending June 30		Principal	Interest	Total
2012	$	152,038	18,747	170,785
2013		159,698	10,803	170,501
2014		53,308	2,407	55,715
Total	$	365,044	31,957	397,001

E. 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	8/12/2004	8/12/2014	$ 1,198,972	$ 1,198,972

F. 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 $2,428,098, $2,496,275 and $2,427,628, 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	$ 28,476
2013	28,476
2014	28,476
2015	28,476
2016	28,476
Thereafter	28,476
Total	$ 170,856

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.

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 Bank of America, has entered into such an arrangement dated August 12, 2004. This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 31. The amount on deposit at June 30, 2011 was $1,590,534. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2012	$	230,000
2013		230,000
Total	$	460,000

Note 12 - Deferred credit on Bonds Payable

Upon the issuance of the interest free Quality Zone Academy Bonds, the district incurred a deferred credit on bonds payable in the amount of $801,028. The deferred credit is based on imputed interest at a rate of 5.5%. This deferred credit is reported on Statement of Net Assets and as such will be amortized over the life of the bonds using the straight line method at an annual cost of $80,103. The unamortized balance was $240,307 at fiscal year end.

REQUIRED SUPPLEMENTAL INFORMATION

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South Panola School District
Budgetary Comparison Schedule for the 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	$ 9,809,406	9,895,928	9,895,928	86,522	0
State sources	19,252,671	18,086,693	18,086,693	(1,165,978)	0
Federal sources	155,000	277,180	277,180	122,180	0
Total Revenues	29,217,077	28,259,801	28,259,801	(957,276)	0
Expenditures					
Instruction	18,482,849	16,083,758	16,083,758	2,399,091	0
Support services	10,718,540	9,926,319	9,926,319	792,221	0
Facilities acquisition and construction	25,000	0	0	25,000	0
Debt service					
Principal	50,000	0	0	50,000	0
Total Expenditures	29,276,389	26,010,077	26,010,077	3,266,312	0
Excess (Deficiency) of Revenues Over Expenditures	(59,312)	2,249,724	2,249,724	2,309,036	0
Other Financing Sources (Uses)					
Proceeds of loans	153,113	153,113	153,113	0	0
Insurance loss recoveries	2,000	8,056	8,056	6,056	0
Sale of transportation equipment	1,500	0	0	(1,500)	0
Operating transfers in	3,393,885	2,785,863	216,781	(608,022)	(2,569,082)
Operating transfers out	(3,500,000)	(3,436,330)	(867,248)	63,670	2,569,082
Total Other Financing Sources (Uses)	50,498	(489,298)	(489,298)	(539,796)	0
Net Change in Fund Balances			1,760,426		
Fund Balances					
July 1, 2010			3,513,985		
June 30, 2011			$ 5,274,411		

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

South Panola School District
Budgetary Comparison Schedule for the Major Special Revenue Fund - 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	$ 1,441,966	1,310,110	1,310,110	(131,856)	0
Total Revenues	1,441,966	1,310,110	1,310,110	(131,856)	0
Expenditures					
Instruction	989,947	889,663	889,663	100,284	0
Support services	388,824	348,174	348,174	40,650	0
Noninstructional services	53,195	49,164	49,164	4,031	0
Total Expenditures	1,431,966	1,287,001	1,287,001	144,965	0
Excess (Deficiency) of Revenues Over Expenditures	10,000	23,109	23,109	13,109	0
Other Financing Sources (Uses)					
Operating transfers out	(10,000)	(23,109)	(23,109)	(13,109)	0
Total Other Financing Sources (Uses)	(10,000)	(23,109)	(23,109)	(13,109)	0
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2010			0		
June 30, 2011			$ 0		

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

South Panola School District
Budgetary Comparison Schedule for the Major Special Revenue Fund - School Improvement Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Federal sources	$ 0	395,090	395,090	395,090	0
Total Revenues	0	395,090	395,090	395,090	0
Expenditures					
Instruction	0	395,090	395,090	(395,090)	0
Total Expenditures	0	395,090	395,090	(395,090)	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2010			0		
June 30, 2011			$ 0		

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

South Panola School District
Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Federal sources	$ 1,287,206	1,071,095	1,071,095	(216,111)	0
Total Revenues	1,287,206	1,071,095	1,071,095	(216,111)	0
Expenditures					
Instruction	847,500	771,098	771,098	76,402	0
Support services	410,123	270,764	270,764	139,359	0
Total Expenditures	1,257,623	1,041,862	1,041,862	215,761	0
Excess (Deficiency) of Revenues Over Expenditures	29,583	29,233	29,233	(350)	0
Other Financing Sources (Uses)					
Operating transfers out	(29,583)	(29,233)	(29,233)	350	0
Total Other Financing Sources (Uses)	(29,583)	(29,233)	(29,233)	350	0
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2010			0		
June 30, 2011			$ 0		

The notes to the required supplemental information are an integral part of this 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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

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SUPPLEMENTAL INFORMATION

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South Panola School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 744,491
National school lunch program	10.555	1,901,101
Total child nutrition cluster		2,645,592
Total U.S. Department of Agriculture		2,645,592
U.S. Department of Justice		
Passed-through Mississippi Governor's Office:		
Enforcing underage drinking laws program	19.727	2,640
Total U.S. Department of Justice		2,640
U.S. Department of Labor		
Passed-through Mississippi Development Authority		
Workforce Investment Act - Youth Activities	17.259	158,291
Total U.S. Department of Labor		158,291
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	97,497
Total Federal Communications Commission		97,497
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	46,685
Safe and drug-free schools and communities - state grants	84.186	10,748
Twenty first century community learning centers	84.287	92,733
Rural education	84.358	60,762
Improving teacher quality - state grants	84.367	338,067
School improvement grant	84.377	395,090
Education jobs fund	84.410	882,012
Total		1,826,097
Education technology state grants cluster:		
Education technology - state grants	84.318	11,587
ARRA - education technology - state grants, recovery act	84.386	16,763
Total education technology state grants cluster		28,350
State fiscal stabilization cluster:		
ARRA - State fiscal stabilization fund - education state grants, recovery act	84.394	1,181,150
Total state fiscal stabilization cluster		1,181,150

South Panola School District
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
Title I cluster:		
Title I - grants to local educational agencies	84.010	1,310,110
ARRA - Title I - grants to local educational agencies, recovery act	84.389	415,508
Total title I cluster		1,725,618
Special education cluster:		
Special education - grants to states	84.027	1,071,095
Special education - preschool grants	84.173	52,282
ARRA - Special education - grants to states, recovery act	84.391	319,019
ARRA - Special education - preschool grants, recovery act	84.392	11,623
Total special education cluster		1,454,019
Total passed-through Mississippi Department of Education		6,215,234
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	13,081
Total passed-through the Mississippi Institution of Higher Learning		13,081
Total U.S. Department of Education		6,228,315
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	69,575
Total U.S. Department of Health and Human Services		69,575
Corporation for National and Community Service		
Passed-through Mississippi Department of Education:		
Learn and serve America – school and community based programs	94.004	24,285
Total Corporation for National and Community Service		24,285
Other Federal Assistance		
Direct program:		
Reserve Officers' Training Corps	12.XXX	80,668
Total Other Federal Assistance		80,668
Total for All Federal Awards		$ 9,306,863

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administration	Other
Salaries and fringe benefits	$ 28,157,966	$ 21,488,154	$ 756,372	$ 2,000,843	$ 3,912,597
Other	$ 9,890,748	$ 3,150,075	$ 243,198	$ 169,123	$ 6,328,352
Total	$ 38,048,714	$ 24,638,229	$ 999,570	$ 2,169,966	$ 10,240,949
Total number of students	4,579				
Cost per student	$ 8,309	$ 5,381	$ 218	$ 474	$ 2,237

Notes to the schedule.

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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OTHER SUPPLEMENTAL INFORMATION

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South Panola School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues				
Local sources	$ 9,895,928	9,559,000	8,833,810	8,308,149
State sources	18,086,693	18,368,890	20,735,907	20,926,074
Federal sources	277,180	222,800	199,617	335,950
Total Revenues	28,259,801	28,150,690	29,769,334	29,570,173
Expenditures				
Instruction	16,083,758	16,778,776	18,133,832	17,507,205
Support services	9,926,319	10,221,020	10,738,236	10,508,812
Facilities acquisition and construction		0	0	0
Debt service				
Principal	0	0	104,307	117,209
Interest	0	0	4,109	8,950
Other	0	0	345	4,905
Total Expenditures	26,010,077	26,999,796	28,980,829	28,147,081
Excess (Deficiency) of Revenues Over Expenditures	2,249,724	1,150,894	788,505	1,423,092
Other Financing Sources (Uses)				
Proceeds of loans	153,113	310,000	0	0
Insurances loss recoveries	8,056	29,048	0	0
Sale of transportation equipment	0	0	0	3,061
Operating transfers in	216,781	229,704	187,901	678,006
Operating transfers out	(867,248)	(2,300,908)	(1,007,996)	(1,476,942)
Total Other Financing Sources (Uses)	(489,298)	(1,732,156)	(820,095)	(795,875)
Net Change in Fund Balances	1,760,426	(581,262)	(31,590)	627,217
Fund Balances				
July 1	3,513,985	4,095,247	4,126,837	3,499,620
June 30	$ 5,274,411	3,513,985	4,095,247	4,126,837

* Source - Prior year audit reports.

South Panola School District
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues				
Local sources	$ 11,554,710	11,293,606	10,474,016	10,087,336
Intermediate sources	35,862	70,725	0	2,689
State sources	19,480,073	19,748,920	22,597,624	22,334,138
Federal sources	9,035,483	8,188,065	5,784,050	5,655,841
Sixteenth section sources	35,189	58,029	41,939	29,440
Total Revenues	40,141,317	39,359,345	38,897,629	38,109,444
Expenditures				
Instruction	22,810,010	22,950,738	22,489,928	21,413,005
Support services	11,125,396	11,559,248	12,181,853	13,179,377
Noninstructional services	2,476,586	2,377,676	2,475,689	2,147,423
Sixteenth section	1,299	4,596	2,622	1,458
Facilities acquisition and construction		641,025	301,557	0
Debt service				
Principal	1,203,069	1,065,000	1,140,431	1,165,615
Interest	428,774	452,524	496,330	533,339
Other	3,580	5,003	10,555	13,739
Total Expenditures	38,048,714	39,055,810	39,098,965	38,453,956
Excess (Deficiency) of Revenues Over Expenditures	2,092,603	303,535	(201,336)	(344,512)
Other Financing Sources (Uses)				
Proceeds of loans	153,113	310,000	0	1,500,000
Insurances loss recoveries	8,056	29,048	0	0
Sale of transportation equipment	0	0	0	3,061
Operating transfers in	1,084,095	2,550,061	1,195,897	2,158,231
Operating transfers out	(1,084,095)	(2,550,061)	(1,195,897)	(2,158,231)
Total Other Financing Sources (Uses)	161,169	339,048	0	1,503,061
Net Change in Fund Balances	2,253,772	642,583	(201,336)	1,158,549
Fund Balances				
July 1, as originally reported	9,874,100	9,248,927	9,424,070	8,289,152
Increase (Decrease) in reserve for inventory	2,643	(17,410)	26,193	(23,631)
June 30	$ 12,130,515	9,874,100	9,248,927	9,424,070

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

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

Superintendent and School Board
South Panola School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Panola School District as of and for the year ended June 30, 2011, which collectively comprise the district's basic financial statements and have issued my report thereon dated August 9, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Charles L. Shivers, CPA

Ridgeland, MS
August 9, 2012

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CHARLES L. SHIVERS

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

Superintendent and School Board
South Panola School District

Compliance

I have audited the compliance of the South Panola School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

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

Internal Control Over Compliance

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

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

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

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

Charles L. Shivers, CPA

Ridgeland, MS
August 9, 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 Panola School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued my report thereon dated August 9, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $8,379 of classroom supply funds carried over from previous years.

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

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

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

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

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

Charles L. Shivers, CPA

Ridgeland, MS
August 9, 2012

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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South Panola School District
Schedule of Findings and Questioned Costs
June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	None Reported
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Federal program identified as major program:	

a. Child nutrition cluster
   CFDA #: 10.553
   CFDA #: 10.555
b. Title I grants to local educational agencies cluster
   CFDA #: 84.010
   CFDA #: 84.389
c. Special education cluster
   CFDA #: 84.027
   CFDA#: 84.173
   CFDA #: 84.391
   CFDA #: 84.392
d. School improvement grant
   CFDA #: 84.377
e. State fiscal stabilization fund - education state grants, recovery act
   CFDA#: 84.394
f. Education jobs fund
   CFDA #: 84.410

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

Section II: Financial Statement Findings

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

South Panola School District
Schedule of Findings and Questioned Costs
June 30, 2011

Section III: Federal Award Findings and Questioned Costs

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