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Attala County School District

Audited Financial Statements
June 30, 2007

J.E. Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

Attala County School District
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J.E. FORTENBERRY, III, P.C.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Attala County School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Attala County School District as of and for the year ended June 30, 2007, which collectively comprise the Attala County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Attala County School District's management. My responsibility is to express opinions on these basic 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion the financial statements, referred to above, present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Attala County School District at June 30, 2007, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued our report dated September 27, 2007, on our consideration of the Attala County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 42 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express

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no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Attala County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures-Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

J.E. Fortenberry, III, PC
September 27, 2007

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

ATTALA COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The discussion and analysis of Attala County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased $488,450, which represents 4% increase from fiscal year 2006.
- General revenues account for $8,838,594 in revenue, or 78% of all revenues. This amount was more than the general revenues reported for the year 2006, which consisted of $7,950,159 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $2,544,288 or 22% of total revenues compared with $2,470,152 in 2006.
- The District had $10,894,432 in expenses, an amount that increased when compared with the $10,676,208 in expenses for the prior year; $2,544,288 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $8,838,594 were adequate to provide for these programs.
- Among major funds, the General Fund had $7,624,813 in revenues and $7,625,433 in expenditures. In 2006 the General Fund had $7,242,426 in revenues and $7,472,458 in expenditures. The General Fund's fund balance increased $543,802 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by $152,651. The cause of this decrease was the retirement of furniture and equipment.
- Long-term debt decreased by $218,547.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are

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

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

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

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

The government-wide financial statements can be found on pages 16 and 17 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 24, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 18 and 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statement of Fiduciary Assets and Liabilities on page 25.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-41 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 43-47 of this report.

Additionally, a schedule of expenditures of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 49 and 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $12,545,840 as of June 30, 2007.

By far the largest portion of the District's net assets (66%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

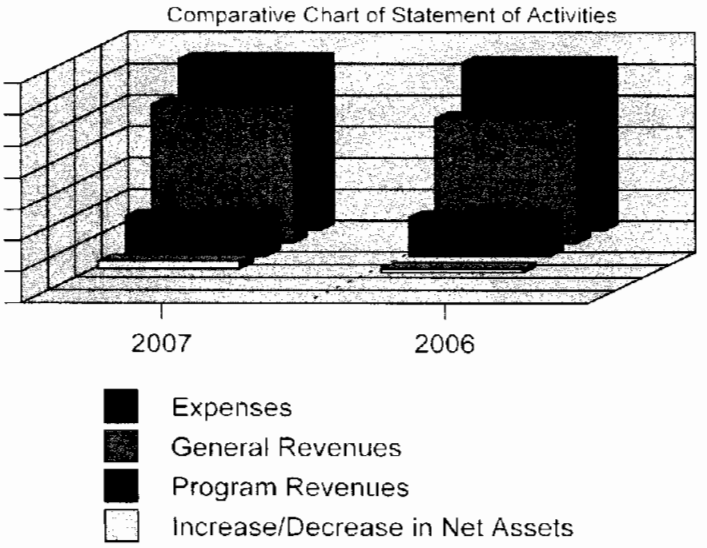
The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007, and 2006.

		2007	2006	Percentage Change
Assets				
Current assets	$	4,298,291	3,878,835	11%
Capital assets, net		9,973,843	10,126,494	-2%
Total assets		14,272,134	14,005,329	2%
Liabilities				
Current liabilities		31,466	34,564	-9%
Long-term liabilities		1,694,828	1,913,375	-11%
Total liabilities		1,726,294	1,947,939	-11%
Net Assets:				
Invested in capital assets, net of related debt		8,338,843	8,266,494	1%
Restricted		1,242,428	1,380,040	-10%
Unrestricted		2,964,569	2,410,856	23%
Total Net Assets	$	12,545,840	12,057,390	4%

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

- The principal retirement of $225,000 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were $11,382,882. The total cost of all programs and services was $10,894,432. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006.



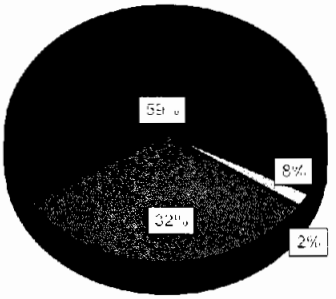
		2007	2006	Percentage Change
Revenues				
Program Revenues				
Charges for services	$	412,362	353,717	17%
Operating Grants and Contributions		2,087,874	2,072,383	1%
Capital Grants and Contributions		44,052	44,052	0%
Total Program Revenues		2,544,288	2,470,152	3%
General Revenues				
Property Taxes		2,343,680	2,371,656	-1%
Unrestricted Grants and Contributions		5,804,532	5,403,450	7%
Unrestricted Investment Earnings		145,630	76,191	91%
Sixteenth Section Sources		516,297	58,940	776%
Other		28,455	39,922	-29%
Total General Revenues		8,838,594	7,950,159	11%
Total revenues		11,382,882	10,420,311	9%
Expenses				
Instruction		6,429,641	6,545,789	-2%
Support services		3,444,855	3,214,950	7%
Non-instructional		843,833	747,478	13%
Interest on long-term liabilities		87,672	74,265	18%
Sixteenth section		88,431	93,726	-6%
Total expenses		10,894,432	10,676,208	2%
Increase (Decrease) in net assets		488,450	(255,897)	-291%
Net Assets, July 1		12,057,390	12,313,287	-2%
Prior Period Adjustment		-	-	0%
Net Assets, June 30	$	12,545,840	12,057,390	4%

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

- Net cost of governmental activities ($8,350,144), was financed by general revenue, which is made up of primarily property taxes ($2,343,680), investment earnings ($145,630), sixteenth section sources ($516,297) and state revenues ($5,753,612).

		2007 Expenses	2006 Expenses	2007 Net (Expense) Revenue	2006 Net (Expense) Revenue
Instruction	$	6,429,641	6,545,789	(5,086,828)	(4,983,185)
Support Services		3,444,855	3,214,950	(3,095,662)	(3,097,339)
Non-Instructional		843,833	747,478	(72,629)	42,459
Sixteenth Section		87,672	74,265	(6,594)	(74,265)
Interest on Long-Term Liabilities		88,431	93,726	(88,431)	(93,726)
	$	10,894,432	10,676,208	(8,350,144)	(8,206,056)

Chart of Expenses as per Statement of Activities



Instruction
Support Services
16th Section & Int. on LT Liabilities
Non-Instructional

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $4,298,291, an increase of $409,216.

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 $543,802. The fund balance of Other Governmental

Funds showed a decrease of $134,803. The fund balance of the Forestry Escrow Fund increased $429.

BUDGETARY HIGHLIGHTS

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

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

Budget amounts for expenditures were increased to reflect an increase in support services, attorney fees for sixteenth section management and sixteenth section land improvements, and the construction of restrooms for the baseball field at McAdams High School.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were $13,574,366, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of $155,599 from the previous year. One major component of this increase was the purchase of three (3) school buses and furniture and equipment. Total accumulated depreciation as of June 30, 2007 was $3,600,523 and total depreciation expense for the year was $363,642, resulting in total net capital assets of $9,973,843.

	Capital Assets, Net of Depreciation		Percentage
	2007	2006	Change
Land	$ 31,441	31,441	0%
Buildings	9,049,487	9,261,803	-2%
Improvements other than buildings	277,969	291,206	-5%
Mobile equipment	510,886	417,437	22%
Furniture and equipment	104,060	124,607	-16%
	$ 9,973,843	10,126,494	-2%

Additional information of the District's capital assets can be found in Note 4 on page 36 of this report.

Debt Administration. At June 30, 2007, the District had no general obligation bonds outstanding and $1,694,828 in other long-term debt outstanding, of which $195,000 is due within one year. The District maintains an AA bond rating.

	2007	2006	Percentage Change
Limited obligation bonds payable	$ 1,545,000	1,645,000	-6%
Three mill notes payable	90,000	215,000	-58%
Compensated absences	59,828	53,375	12%
	$ 1,694,828	1,913,375	-11%

Additional information of the District's long-term debt can be found in Note 5 on page 37 of this report.

CURRENT ISSUES

The Attala County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Attala County School District, Courthouse Building, Kosciusko, MS 39090.

FINANCIAL STATEMENTS

EXHIBIT A

ATTALA COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,016,515
Investments	91,387
Due from other governments	156,550
Inventories and prepaid items	16,225
Restricted assets	17,614
Capital assets, non-depreciable	
Land	31,441
Capital asssets, net of accumulated depreciation	
Buildings	9,049,487
Improvements other than buildings	277,969
Mobile equipment	510,886
Furniture and equipment	104,060
Total Assets	14,272,134
Liabilities	
Interest payable on long-term liabilities	31,466
Long-term liabilities (due within one year):	
Capital related liabilities	195,000
Long-term liabilities (due beyond one year)	
Capital related liabilities	1,440,000
Non-capital related liabilities	59,828
Total Liabilities	1,726,294
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,338,843
Restricted net assets:	
Expendable:	
School-based activities	305,377
Debt service	195,959
Forestry improvements	688,214
Unemployment benefits	35,264
Non-expendable:	
Sixteenth section	17,614
Unrestricted	2,964,569
Total Net Assets	**$ 12,545,840**

The accompanying notes are an integral part of this statement.

ATTALA COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary government					
Governmental Activities:					
Instruction	6,429,641	206,949	1,091,812	44,052	(5,086,828)
Support services	3,444,855	--	349,193	--	(3,095,662)
Noninstructional services	843,833	124,335	646,869	--	(72,629)
Sixteenth section	87,672	81,078	--	--	(6,594)
Interest on long-term liabilities	88,431	--	--	--	(88,431)
Total Primary Government	$ 10,894,432	$ 412,362	$ 2,087,874	$ 44,052	(8,350,144)

General Revenues:	
Taxes:	
General purpose levies	2,343,680
Unrestricted grants and contributions:	
State	5,753,612
Federal	50,920
Unrestricted investment earnings	145,630
Sixteenth section sources	516,297
Other	28,455
Total general revenues	8,838,594
Change in Net Assets	488,450
Net Assets - Beginning	12,057,390
Net Assets - Ending	$ 12,545,840

The accompanying notes are an integral part of this statement.

ATTALA COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Title I Basic FYE 2003
ASSETS		
Cash and cash equivalents	$ 2,989,871	$ --
Investments	--	--
Due from other governments	50,413	4,736
Due from other funds	7,030	--
Inventories and prepaid items	715	--
Total Assets	$ 3,048,029	$ 4,736
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	$ --	$ 4,736
Total Liabilities	--	4,736
Fund balances:		
Reserved for:		
Inventory	--	--
Prepaid items	715	--
Unemployment	--	--
Forestry	--	--
Permanent funds	--	--
Unreserved, undesignated, reported in:		
General fund	3,047,314	--
Special Revenue funds	--	--
Debt service funds	--	--
Total Fund Balances	3,048,029	--
Total Liabilities and Fund Balances	$ 3,048,029	$ 4,736

EHA Part B 2000 FY Grant Fund	Forestry Escrow Fund	Other Governmental Funds	Total Governmental Funds
$ –	$ 688,214	$ 356,044	$ 4,034,129
–	–	91,387	91,387
2,294	–	99,107	156,550
–	–	–	7,030
–	–	15,510	16,225
$ 2,294	$ 688,214	$ 562,048	$ 4,305,321
$ 2,294	$ –	$ –	$ 7,030
2,294	–	–	7,030
–	–	15,510	15,510
–	–	–	715
–	–	35,264	35,264
–	688,214	–	688,214
–	–	24,275	24,275
–	–	–	3,047,314
–	–	294,138	294,138
–	–	192,861	192,861
–	688,214	562,048	4,298,291
$ 2,294	$ 688,214	$ 562,048	$ 4,305,321

EXHIBIT C-1

ATTALA COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances - governmental funds balance sheet	$ 4,298,291
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	9,973,843
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,440,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(31,466)
Payables for compensated absences which not due in current period are not reported in the funds.	(59,828)
Liabilities due in one year are not recognized in the funds	(195,000)
Net assets of governmental activities - statement of net assets	$ 12,545,840

The accompanying notes are an integral part of this statement.

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ATTALA COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Title I Basic FYE 2003
Revenue:		
Local sources	$ 2,283,162	$ --
State sources	5,290,691	--
Federal sources	50,960	521,701
Sixteenth section sources	--	--
Total revenues	7,624,813	521,701
Expenditures:		
Instruction	4,794,905	373,231
Support services	2,830,528	130,418
Noninstructional services	--	10,262
Sixteenth section	--	--
Facilities acquisition and construction	--	--
Debt service:		
Principal	--	--
Interest	--	--
Total expenditures	7,625,433	513,911
Excess (deficiency) of revenues (over) expenditures	(620)	7,790
Other financing sources (uses):		
Insurance loss recoveries	444	--
Sale of transportation equipment	1,074	--
Sale of other property	215	--
Transfers in	645,944	--
Transfers out	(103,255)	(7,806)
Other financing uses	--	--
Total other financing sources (uses)	544,422	(7,806)
Net change in fund balance	543,802	(16)
Fund Balances:		
July 1, 2006	2,504,227	16
Increase (decrease) in reserve for inventory	--	--
June 30, 2007	$ 3,048,029	$ --

The accompanying notes are an integral part of this statement.

EHA Part B 2000 FY Grant Fund	Forestry Escrow Fund	Other Governmental Funds	Total Governmental Funds
$ –	$ –	$ 605,198	$ 2,888,360
–	–	865,032	6,155,723
308,141	–	858,889	1,739,691
–	81,078	512,510	593,588
308,141	81,078	2,841,629	11,377,362
92,063	–	954,359	6,214,558
216,274	–	366,431	3,543,651
–	–	788,427	798,689
–	80,649	7,023	87,672
–	–	15,233	15,233
–	–	225,000	225,000
–	–	84,526	84,526
308,337	80,649	2,440,999	10,969,329
(196)	429	400,630	408,033
–	–	–	444
–	–	–	1,074
–	–	–	215
–	–	49,719	695,663
–	–	(584,602)	(695,663)
–	–	(550)	(550)
–	–	(535,433)	1,183
(196)	429	(134,803)	409,216
196	687,785	690,398	3,882,622
–	–	6,453	6,453
$ –	$ 688,214	$ 562,048	$ 4,298,291

EXHIBIT D-1

ATTALA COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	$	409,216
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		210,991
The depreciation of capital assets used in governmental activities is not reported in the funds.		(363,642)
Sixteenth Section revenue not recorded in SOA		3,787
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		100,000
Repayment of principal is an expenditure in the funds but is not an expense in the SOA.		125,000
(Increase) decrease in accrued interest from beginning of period to end of period		3,098
Compensated absences reported as amount earned in SOA but as the amount paid in the funds.		(6,453)
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.		6,453
Change in net assets of governmental activities - statement of activities	$	488,450

The accompanying notes are an integral part of this statement.

ATTALA COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007

		Agency Funds
ASSETS		
Assets:		
Cash and other deposits	$	289,460
Total Assets	$	289,460
LIABILITIES		
Liabilities:		
Accounts Payable & Accrued Liabilities	$	237,264
Due to student clubs		52,196
Total Liabilities	$	289,460

The accompanying notes are an integral part of this statement.

Attala County School District

Notes to the Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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 was elected by the citizens of each defined county district.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses

with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Title I Basic FYE 2003 Fund - This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structured project.

EHA Part B 2000 FY Grant Fund - This fund accounts for the transactions of the special education grants to states program.

Forestry Escrow Fund - School Districts are required by law to place 15% of the money received from the sale of all timber in a Forestry Escrow Fund.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of **Exhibit C**.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than three months when acquired. Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at

estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statue or budget requires to collect or expend them and to (b) use unrestricted revenues collected

in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details of interfund transactions, including receivables and payables at year-end

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for prepaid items - An account that represents a portion of the fund balance which indicates that prepaid items do not represent available spendable resources even though they are a component of net current assets.

Reserved for unemployment benefits - An account that represents a portion of the

fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest land.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (3), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and 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, the principal and interest of which are fully guranteed by the government or enumerated agency of the United States; (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 interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. 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. Amount less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits reported in the governmental funds and fiduciary funds was $4,034,129 and $289,460, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents $4,016,515 and Restricted Assets $17,214. The Restricted Assets represents the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's program. The bank balance was $5,121,870.

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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of $5,121,870 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments:

Investment Type	Maturities (in years)	Fair Value	Rating
Money Market Funds	N/A	$ 91,387	A

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 investments 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. Of the district's investment's $91,387 of underlying securities are held by the investment's counterparty, not in the name of the school district.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2007, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Hancock Horizon Treasury Sec. Money Market Cl A	91,387	100%
	$ 91,387	

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

		Due From	Due To
Governmental Funds:			
General Fund	$	7,030	0
Title I Basic FYE 2003		0	4,736
EHA Part B 2000 FY Grant Fund		0	2,294
Total	$	7,030	7,030

The purpose of the interfund transactions is to eliminate cash deficits in federal special revenue funds.

B. Transfers In/Out:

		Transfers In	Transfers Out
Governmental funds:			
General fund	$	645,944	103,255
Title I Basic FYE 2003		0	7,806
Other Governmental funds		49,719	584,602
Total Funds	$	695,663	695,663

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

(4) Capital Assets.

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

		Balance 7-1-2006	Addition	Retirement	Completed Construction	Adjustments	Balance 6-30-2007
Non-depreciable capital assets:							
Land	$	31,441					31,441
Construction in progress		0					0
Total non-depreciable capital assets		31,441	0	0	0	0	31,441
Depreciable capital assets:							
Buildings		11,354,516					11,354,516
Improvements other than buildings		330,916					330,916

Mobile equipment	1,152,098	171,525				1,323,623
Furniture and equipment	549,796	39,466	55,392			533,870
Total depreciable capital assets	13,387,326	210,991	55,392	0	0	13,542,925
Less accumulated depreciation for :						
Buildings	2,092,713	212,316				2,305,029
Improvements other than buildings	39,710	13,237				52,947
Mobile equipment	734,661	78,076				812,737
Furniture and equipment	425,189	60,013	55,392			429,810
Total accumulated depreciation	3,292,273	363,642	55,392		0	3,600,523
Total depreciable capital assets, net	10,095,053	(152,651)	0	0	0	9,942,402
Governmental activities capital assets, net	10,126,494	(152,651)	0	0	0	9,973,843

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$254,549
Support services	72,729
Non-Instructional	36,364
Total depreciation expense	$363,642

(5) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Adjustments	Balance 6-30-2007	Amounts due within one year
A. Limited Obligations Bonds	$ 1,645,000		100,000		1,545,000	105,000
B. Three Mill notes payable	215,000		125,000		90,000	90,000
C. Compensated absences payable	53,375	6,453			59,828	
	$ 1,913,375	6,453	225,000	0	1,694,828	195,000

A. Limited obligations bonds.

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

Description	Interest Rate	Issue Date	Maturity Date	Issued	Outstanding
State Aid Capital					

Improvement Bonds	variable	03-01-98	02-01-18	$ 2,000,000	1,545,000
Total				$ 2,000,000	1,545,000

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

Year Ending June 30		Principal	Interest	Total
2008	$	105,000	70,089	175,089
2009		110,000	64,982	174,982
2010		115,000	59,840	174,840
2011		120,000	54,610	174,610
2012		125,000	49,035	174,035
2013-2017		725,000	148,820	873,820
2018-2022		245,000	7,800	252,800
Total	$	1,545,000	455,176	2,000,176

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-107 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Retirement Fund.

B. Three Mill-Ten Year Notes Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
Three Mill -Ten Yr. Note	4.45%	04-01-1998	04-01-2008	$	890,000	90,000
Total				$	890,000	90,000

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

Year Ending June 30		Principal	Interest	Total
2008	$	90,000	4,895	94,895
Total	$	90,000	4,895	94,895

This debt will be retired from the Debt Service Fund.

C. Compensated absences payable.

As more fully explained in Note 1(O), 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.

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007 was 11.30% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were $667,535, $622,814, and $534,743 respectively, which equaled the required contributions for each year.

(7) 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
2008	$	43,771
2009		38,152
2010		25,632

2011		23,034
2012		19,352
2013-2017		95,614
2018-2022		95,614
2023-2027		95,614
2028-2032		13,429
Total	$	450,212

(8) 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 121 school districts and one community college and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workman's 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 Bancorp South in Jackson, Mississippi. The funds in the trust account are used to pay any claim up to $700,000. For a claim exceeding $700,000, MSBAWCT has insurance which will pay the excess up 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.

(9) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated September 18, 1990, creating the Kosciusko - Attala Vocational-Technical Complex. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Attala County School District and Kosciusko Municipal School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational educational center. Any such agreement should provide for a designated

fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Attala County School District has been designated as the fiscal agent for the Kosciusko - Attala Vocational-Technical Complex, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Kosciusko - Attala Vocational-Technical Complex.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2007

Revenues		
Local sources		
Advalorem	$	325,288
Interest		187
Other		2,137
Total Local sources		327,612
State sources		493,260
Federal sources		26,738
Total revenues		847,610
Expenditures		
Salaries		549,281
Employee benefits		159,347
Purchased property services		43,977
Other purchased services		4,531
Supplies		28,408
Property		36,062
Other		210
Total Expenditures		821,816
Excess (Deficiency) of Revenues Over Expenditures		25,794
Other Financing Sources/Uses:		
Transfers In		3,157
Transfers Out		(28,951)
Total Other Financing Sources/Uses		(25,794)
Net Change in Fund Balance		0
Fund Balance:		
July 1, 2006		0
June 30, 2007	$	0

REQUIRED SUPPLEMENTARY INFORMATION

ATTALA COUNTY SCHOOL DISTRICT Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 2,152,999	2,283,163	2,283,162	130,164	(1)
State sources	5,303,108	5,290,691	5,290,691	(12,417)	0
Federal sources	34,200	50,959	50,960	16,759	1
Total Revenues	7,490,307	7,624,813	7,624,813	134,506	0
Expenditures:					
Instruction	4,800,287	4,794,906	4,794,905	5,381	1
Support services	2,593,738	2,830,522	2,830,528	(236,784)	(6)
Noninstructional services		5		(5)	5
Facilities acquisition and construction				0	0
Debt Service					0
Principal			0	0	0
Interest			0	0	0
Total Expenditures	7,394,025	7,625,433	7,625,433	(231,408)	0
Excess (Deficiency) of Revenues Over Expenditures	96,282	(620)	(620)	(96,902)	0
Other Financing Sources (Uses):					
Transfers In	79,800	645,944	645,944	566,144	0
Insurance loss recoveries		444	444	444	0
Sale of transportation equipment		1,074	1,074	1,074	0
Sale of other property		215	215	215	0
Transfers Out	(50,000)	(103,256)	(103,255)	53,256	1
Total Other Financing Sources (Uses)	29,800	544,421	544,422	514,621	1
Net Change in Fund Balances	126,082	543,801	543,802	417,719	(1)
Fund Balances:					
July 1, 2006			2,504,227	0	2,504,227
Prior period adjustments				0	0
July 1, 2006, as restated	0	0	2,504,227	0	2,504,227
Increase (Decrease) in reserve for inventory	0	0	0	0	0
Residual equity transfer in (out)	0	0	0	0	0
June 30, 2007	$ 126,082	543,801	3,048,029	417,719	2,504,228

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

ATTALA COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

Title I Basic FYE 2003 Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 350,000	521,701	521,701	171,701	0
Total Revenues	350,000	521,701	521,701	171,701	0
Expenditures:					
Instruction	313,492	373,231	373,231	(59,739)	0
Support services	26,905	130,417	130,418	(103,512)	(1)
Noninstructional services		10,262	10,262	(10,262)	0
Facilities acquisition and construction				0	0
Debt Service					0
Principal				0	0
Interest				0	0
Total Expenditures	340,397	513,910	513,911	(173,513)	(1)
Excess (Deficiency) of Revenues Over Expenditures	9,603	7,791	7,790	(1,812)	(1)
Other Financing Sources (Uses):					
Other financing sources				0	0
Transfers out		(7,806)	(7,806)	7,806	0
Total Other Financing Sources (Uses)	0	(7,806)	(7,806)	(7,806)	0
Net Change in Fund Balances	9,603	(15)	(16)	(9,618)	1
Fund Balances:					
July 1, 2006			16	0	16
Prior period adjustments				0	0
July 1, 2006, as restated	0	0	16	0	16
Increase (Decrease) in reserve for inventory	0	0	0	0	0
June 30, 2007	$ 9,603	(15)	0	(9,618)	15

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

ATTALA COUNTY SCHOOL DISTRICT Exhibit 3

Budgetary Comparison Schedule

EHA Part B 2000 FY Grant Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 94,000	308,141	308,141	214,141	0
Total Revenues	94,000	308,141	308,141	214,141	0
Expenditures:					
Instruction	55,361	92,063	92,063	(36,702)	0
Support services	106,221	216,274	216,274	(110,053)	0
Noninstructional services				0	0
Facilities acquisition and construction				0	0
Debt Service					0
Principal				0	0
Interest				0	0
Total Expenditures	161,582	308,337	308,337	(146,755)	0
Excess (Deficiency) of Revenues Over Expenditures	(67,582)	(196)	(196)	67,386	0
Other Financing Sources (Uses):					
Other financing sources				0	0
Other financing uses				0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	(67,582)	(196)	(196)	67,386	0
Fund Balances:					
July 1, 2006			196	0	196
Prior period adjustments				0	0
July 1, 2006, as restated	0	0	196	0	196
Increase (Decrease) in reserve for inventory	0	0	0	0	0
June 30, 2007	$ (67,582)	(196)	0	67,386	196

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

ATTALA COUNTY SCHOOL DISTRICT Exhibit 4

Budgetary Comparison Schedule

Forestry Escrow Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	$	81,078	81,078	81,078	0
Local sources	18,000			(18,000)	0
Total Revenues	18,000	81,078	81,078	63,078	0
Expenditures:					
Sixteenth section	2,000	80,648	80,649	(78,648)	(1)
Total Expenditures	2,000	80,648	80,649	(78,648)	(1)
Excess (Deficiency) of Revenues Over Expenditures	16,000	430	429	(15,570)	(1)
Other Financing Sources (Uses):					
Other finanacing sources				0	0
Transfers in				0	0
Transfers out				0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
				0	0
Net Change in Fund Balances	16,000	430	429	(15,570)	(1)
Fund Balances:					
July 1, 2006	0		687,785	0	687,785
Prior period adjustments					
July 1, 2006, as restated	0	0	687,785	0	687,785
Increase (Decrease) in reserve for inventory	0	0	0	0	0
Residual equity transfer in (out)	0	0	0	0	0
June 30, 2007	$ 16,000	430	688,214	(15,570)	687,784

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

Attala County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

Attala County School District Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007

FEDERAL GRANT OR PASS-THROUGH GRANT OR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	$43,339
Child Nutrition Cluster:		
School Breakfast Program	10.553	206,171
National School Lunch Program	10.555	393,544
Total Child Nutrition cluster		599,715
Total passed-through the MDE		643,054
TOTAL U. S. DEPARTMENT OF AGRICULTURE		643,054
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	38,931
Total Federal Communication Commission		38,931
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	521,701
Vocational Education- Basic Grants to States	84.048	26,738
Safe and Drug-Free Schools and Communities - State Grants	84.186	8,753
Eisenhower Professional Development State Grants	84.281	135,351
State Grants for Innovative Programs	84.298	3,911
Rural Education	84.358	28,751
Special Education Cluster:		
Special Education - Grants to States	84.027	308,141
Special Education - Preschool Grants	84.173	12,331
Total Special Education Cluster		320,472
Total passed-through the MDE		1,045,677
TOTAL U. S. DEPARTMENT OF EDUCATION		1,045,677
TOTAL FOR ALL FEDERAL AWARDS		$1,727,662

Notes to Schedule

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

Attala County School District

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2007

Schedule 2

Expenditures		Total	Instruction and Other Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	$	8,160,971	6,200,980	480,551	544,138	935,302
Other		2,808,358	790,705	136,177	49,170	1,832,306
Total	$	10,969,329	6,991,685	616,728	593,308	2,767,608
Total number of students *		1,343				
Cost per student	$	8,168	5,206	459	442	2,061

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)

School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)

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

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Attala County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Attala County School District as of and for the year ended June 30, 2007, which collectively comprise the Attala County School District's basic financial statements and have issued my report thereon dated September 27, 2007. 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

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 opinion 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Attala County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2007-1 to be a significant deficiency in internal control over financial reporting.

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

My consideration of the internal control over financial reporting was for the limited purposes

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described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies above is a material weakness.

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 grants, 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 did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

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

J.E. Fortenberry, III, PC
September 27, 2007

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Attala County School District

Compliance

I have audited the compliance of the Attala County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. 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 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 Attala County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Attala County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, 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.

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A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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 school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

J.E. Fortenberry, III, PC
September 27, 2007

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Attala County School District

have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Attala County School District as of and for the year ended June 30, 2007, which collectively comprise Attala County School District's basic financial statements and have issued my report thereon dated September 27, 2007. 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(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 state laws and regulations. However, providing an opinion on compliance with 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 $12,020.22 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. However, this report is a matter of public record and its distribution is not limited.

J.E. Fortenberry, III, PC
September 27, 2007

Certified Public Accountant

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FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Attala County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.

2. Material noncompliance relating to the financial statements? No.

3. Internal control over financial reporting:
   a. Material weakness(es) identified? No.
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.

5. Internal control over major programs:
   a. Material weakness(es) identified? No.
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.

6. Any audit findings reported as required by Section___.510(a) of OMB Circular A-133? No.

7. Federal programs identified as major programs:

   a. Child Nutrition Cluster:
      CFDA# 10.553
      CFDA# 10.555

   b. Title I Grants to Local Educational Agencies.
      CFDA# 84.010

   c. Special Education Cluster:
      CFDA# 84.027
      CFDA# 84.173

8. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

9. Auditee qualified as a low-risk auditee? Yes.

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section___.315(b) of OMB Circular A-133? No.

Section2: Findings Relating to the Financial Statements

The results of my tests disclosed the following significant deficiency related to the financial statements that are required to be reported by Government Auditing Standards.

Finding 2007-1:

The district's software does not accommodate accounts receivable controls in the sixteenth section management module. Because controls such as an accumulative accounts receivable total or separation of duties over the canceling of leases are not available sixteenth section receivables and the related sixteenth section revenue could fail to be recorded or maintained.

Recommendation:
The district should discuss these needed controls with the district's software provider or purchase an "over the counter" accounts receivable package that would separate the duties by password of revenue collection with the canceling or voiding of sixteenth section leases.

School District's Response:
The district will discuss this with our financial software provider.

Section 3: Findings and Questioned Costs for Federal Awards

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