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EAST TALLAHATCHIE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007

Robert Britt, CPA, P. A.
Clarksdale, Mississippi

EAST TALLAHATCHIE SCHOOL DISTRICT

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EAST TALLAHATCHIE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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Robert Britt, CPA, P. A.

P. O. BOX 1477
947 B SUNFLOWER AVENUE

TELEPHONE 662-624-6024
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

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

Superintendent and School Board
East Tallahatchie School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2007, which collectively comprise the East Tallahatchie School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the East Tallahatchie 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 misstatements. 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 my audit provides a reasonable basis for my opinions.

In my opinion, financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the of the East Tallahatchie School District as of June 30, 2007, 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 16, 2008 on my consideration of the East Tallahatchie School District's internal control over financial reporting and my 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages (7) through (12) and the Budgetary Comparison Schedule and corresponding notes on pages (32) through (33) 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 no opinion on it.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the East tallahatchie 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 my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

August 16, 2008

EAST TALLAHATCHIE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of East Tallahatchie 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 by $ 876,076, which represents 16.59% increase from fiscal year 2006.

General revenues account for $ 9,276,602 in revenue, or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,209,325 or 26% of total revenues.

The District had $11,609,921 in expenses; only $3,209,325 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $ 9,276,602 and assets carried over from the prior year were adequate to provide for these programs.

The district' only major fund, the General Fund had $9,262,409 in revenues and $8,075,395 in expenditures. The General Fund's fund balance increased $1,064,279 over the prior year. This increase is from sound fiscal management. Discounting unforeseen events the District should remain in sound fiscal condition.

Capital assets, net of accumulated depreciation, increased by $91,618.

Long-term liabilities decreased by $2,495. The district did not issue any new debt during the current fiscal year and is debt free except for compensated absences payable.

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 14-15 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 that 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 17 and 19, 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 16 and 18, respectively.

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 Statements of Fiduciary Assets and Liabilities on page 20 of this report.

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 21-29 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 32-34 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 36-37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $6,157,793 as of June 30, 2007.

The largest portion of the District's net assets (62.7%) is unrestricted net assets. These unrestricted assets are available for any legal purpose at the discretion of the board. The next largest portion of the District's net assets (35.7%) is its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment, less any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 compared to the same period in 2006.

	Governmental Activities		Percentage
	2007	2006	Change
Current assets	4,861,239	3,907,752	24.40%
Capital assets, net	2,198,990	2,290,608	-4.00%
Total assets	7,060,229	6,198,360	13.90%
Current liabilities	839,069	861,711	-2.63%
Long-term debt outstanding	63,367	54,862	15.50%
Total liabilities	902,436	916,573	-1.54%
Net assets:			
Invested in capital assets, net of related debt	2,198,990	2,290,608	-4.00%
Restricted	99,177	95,194	4.18%
Unrestricted	3,859,626	2,895,985	33.28%
Total net assets	6,157,793	5,281,787	16.59%

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

The addition of $83,161 in capital assets from the purchasing of one new bus and other equipment.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were $12,485,927. The total cost of all programs and services was $11,609,921. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 compared to the same period in 2006.

	Governmental Activities		Percent
	2007	2006	Change
Revenues:			
Program revenues			
Charges for services	307,908	402,498	-23.50%
Operating Grants and contributions	2,901,417	3,355,215	-13.53%
General Revenues			
Property taxes	1,209,575	1,134,959	6.57%
Grants and contributions not restricted	7,648,106	7,578,495	0.92%
Other	418,921	348,223	20.30%
Total revenues	12,485,927	12,819,390	-2.60%

Expenses:			
Instruction	7,028,696	6,913,307	1.67%
Support services	3,704,936	4,092,456	-9.47%
Non-instructional	800,670	807,073	-0.79%
Sixteenth section	75,619	28,014	169.93%
Total Expenses	11,609,921	11,840,850	-1.95%
Increase (Decrease) in net assets	876,006	978,540	-10.48%
Net Assets - July 1	5,281,787	4,303,247	22.74%
Net Assets - June 30	6,157,793	5,281,787	16.59%

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and sixteenth section. 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.

	Total Cost of Services		Percent	Net Revenue (Expense)		Percent
	2007	2006	Change	2007	2006	Change
Instruction	7,028,696	6,913,307	1.67%	(5,447,025)	(4,983,821)	9.29%
Support services	3,704,936	4,092,456	-9.47%	(2,811,414)	(2,995,637)	-6.15%
Non-instructional	800,670	807,073	-0.79%	(66,538)	(75,665)	-12.06%
Sixteenth section	75,619	28,014	169.93%	(75,619)	(28,014)	169.93%
	11,609,921	11,840,850	-1.95%	(8,400,596)	(8,083,137)	3.93%

Net cost of governmental activities $ 8,400,596, was financed by general revenue, which is made up of primarily property taxes $1,209,575, state revenue $ 7,592,929, sixteenth section sources $ 249,271 and federal revenue 55,177.

Investment earnings accounted for $135,669 of funding.

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 $4,022,170, an increase of $963,273 due primarily to sound fiscal management. $3,908,419 or 97% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $113,751 or 3% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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 $ 1,064,279 due primarily to sound fiscal management. The fund balance of Other Governmental Funds showed a decrease of $101,006 due primarily to the transfer of funds from the sixteenth section interest fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

Budget amounts for revenue in the general fund were decreased because revenues were less than those originally expected. Expenditures were reduced because the district was able to provide services for less than originally anticipated. In other governmental funds expenditures and revenue was adjusted to actual amounts.

A schedule showing the original and final budget amounts compared to the District's actual financial for the General Fund, the districts only major fund, 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 $5,558,191, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an decrease of $138,592 from the previous year due to retirements exceeding purchases. Total accumulated depreciation as of June 30, 2007 was $3,359,201 and total depreciation expense for the year was $168,438, resulting in total net assets of $2,198,990.

	Capital Assets Net of Depreciation		Percentage
	2007	2006	Change
Land	50,956	50,956	0.00%
Buildings	907,880	932,524	-2.64%
Building Improvements	83,356	87,326	-4.55%
Improvements other than buildings	585,595	617,535	-5.17%
Mobile equipment	507,444	515,492	-1.56%
Furniture and equipment	63,759	86,775	-26.52%
Total	2,198,990	2,290,608	-4.00%

Additional information of the District's capital assets can be found in Note 4 on pages 26 and 27 of this report.

Debt Administration. At June 30, 2007, the District had $63,367 in other long-term debt outstanding, which is composed only of compensated absences payable.

The District maintains a AA bond rating.

Additional information of the District's long-term debt can be found in Note 6 on page 27 of this report.

CURRENT ISSUES

The East Tallahatchie School District is financially stable. The District is proud of its community support of the public schools.

The District is now committed to financial excellence. The millage has remained fairly constant over the last few years and no major increase is expected in the future. In addition, 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.

Latest enrollment figures indicate that student enrollment in the District remain virtually unchanged. The budget for the next fiscal year has taken this into account in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the East Tallahatchie School District, 411 Chestnut Street, Charleston, MS 38921.

EAST TALLAHATCHIE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

EAST TALLAHATCHIE SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2007

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	$ 4,661,991
Due from other governments	156,058
Other receivables, net	385
Inventories	14,574
Restricted assets	28,231
Capital assets not being depreciated	
Land	50,956
Capital assets net of accumulated depreciation	
Buildings	907,880
Building improvements	83,356
Improvements other than buildings	585,595
Mobile equipment	507,444
Furniture and equipment	63,759
Total Assets	$ 7,060,229
Liabilities	
Accounts payable and accrued liabilities	$ 778,078
Unearned revenue	60,991
Long-term liabilities, due within one year	
Non-capital related liabilities	2,495
Long-term liabilities, due beyond one year	
Non-capital related liabilities	60,872
Total Liabilities	$ 902,436
Net Assets	
Investment in capital assets, net of related debt	$ 2,198,990
Restricted net assets:	
Expendable:	
Debt service	28,850
Forestry improvements	3,687
Unemployment benefits	38,409
Nonexpendable	
Sixteenth section	8,231
Endowment	20,000
Unrestricted	3,859,626
Total Net Assets	$ 6,157,793

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Assets: Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	$ 7,028,696	234,356	1,347,315	(5,447,025)
Support services	3,704,936	13,061	880,461	(2,811,414)
Non-instructional	800,670	60,491	673,641	(66,538)
16th Section	75,619			(75,619)
Total governmental activities	$ 11,609,921	307,908	2,901,417	(8,400,596)

Taxes:	
General purpose levies	1,208,920
Debt service levies	655
Unrestricted grants and contributions:	
State	7,592,929
Federal	55,177
Unrestricted investment earnings	135,669
Sixteenth section sources	249,271
Other	33,981
Total General Revenues	9,276,602
Change in Net Assets	876,006
Net Assets - Beginning	5,281,787
Net Assets - Ending	$ 6,157,793

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2007

	Major Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents (Note 2)	$ 4,022,128	668,094	4,690,222
Due from other governments	112,668	36,468	149,136
Other receivables, net	385	0	385
Due from other funds (Note 3)	28,856	20,180	49,036
Inventories		14,574	14,574
Total Assets	$ 4,164,037	739,316	4,903,353
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 530,862	247,216	778,078
Due to other funds (Note 3)	20,357	21,757	42,114
Unearned revenue		60,991	60,991
Total Liabilities	551,219	329,964	881,183
Fund Balances:			
Reserved for:			
Inventory		14,574	14,574
Debt service		28,850	28,850
Unemployment benefits		38,409	38,409
Forestry improvements		3,687	3,687
Permanent fund purposes		28,231	28,231
Unreserved:			
Undesignated, reported in:			
General fund	3,612,818		3,612,818
Special Revenue funds		295,601	295,601
Total Fund Balances	3,612,818	409,352	4,022,170
Total Liabilities and Fund Balances	$ 4,164,037	739,316	4,903,353

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

		Amount
Total Fund Balance - Governmental Funds	$	4,022,170
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $ .3,359,201. (Note 4)		2,198,990
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)		(63,367)
Total Net Assets - Governmental Activities	$	6,157,793

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Exhibit D

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	$ 1,579,628	101,505	1,681,133
State sources	7,624,901	342,439	7,967,340
Federal sources	57,880	2,496,101	2,553,981
Sixteenth section sources		250,072	250,072
Total Revenues	9,262,409	3,190,117	12,452,526
Expenditures:			
Instruction	5,172,516	1,826,062	6,998,578
Support services	2,902,599	763,646	3,666,245
Non instructional services	192	782,145	782,337
16th Section	88	75,531	75,619
Total Expenditures	8,075,395	3,447,384	11,522,779
Excess (Deficiency) of Revenues Over Expenditures	1,187,014	(257,267)	929,747
Other Financing Sources (Uses):			
Insurance loss recovery	33,401	0	33,401
Sale of other property	125	0	125
Operating transfers in	212,346	368,962	581,308
Operating transfers out	(368,607)	(212,701)	(581,308)
Total Other Financing Sources (Uses)	(122,735)	156,261	33,526
Net Change in Fund Balances	1,064,279	(101,006)	963,273
Fund Balances:			
July 1, 2006	2,548,539	508,502	3,057,041
Increase in reserve for inventory		1,856	1,856
June 30, 2007	$ 3,612,818	409,352	4,022,170

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

EAST TALLAHATCHIE 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, 2007

		Amount
Net Change in Fund Balances - Governmental Funds	$	963,273
Amounts reported for governmental activities in the statement of activities are different because:		
1. 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 $83,161 and the depreciation expense amounted to $168,438.		(85,277)
2. Decrease in Compensated absences is not recorded in the governmental funds, but increases expense in the statement of activity.		2,495
3. Amounts received from disposition of assets is reported as revenue in the governmental funds, but are reduced by the net value of the assets in the in the statement of activity.		(6,341)
4. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are decreased in the statement of activity.		1,856
Change in Net Assets of Governmental Activities	$	876,006

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Exhibit E

Statement of Fiduciary Assets and Liabilities

June 30, 2007

		Agency Funds
Assets		
Cash and cash equivalents	$	27,838
Total Assets	$	27,838
Liabilities		
Due to student clubs		20,916
Due to other funds		6,922
Total Liabilities	$	27,838

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

(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 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 (5) member board of which each member was elected by the citizens of each defined district.

B. Basis of Presentation.

The school district's basic financial statements 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 non exchange 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.

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.

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 broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *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 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 cost of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

Capital acquisitions 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.

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
Buildings 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 statute or the budget requires to collect to the fund that statute or the budget requires to 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 for 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 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 debt service - An account that represents that portion of fund balance in the debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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 improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

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

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

M. Property Taxes

Ad valorem property taxes are levied by the governing authorities 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 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 to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

P. Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) Cash and Cash Equivalents.

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 school district deposits in financial institutions are 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 a 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 surplus 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 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 guaranteed 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. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $4,690,222 and $27,838, respectively. The carrying amount of deposits reported in the government wide statements was: Cash and cash equivalents $4,661,991 and Restricted Assets $28,231 The restricted assets represents the cash balance of the 16th Section Principal Fund and the Morgan Freeman Endowment Fund (Permanent Funds) which are legally restricted and may not be used for purposes that support the district's programs. The bank balance was $4,864,341.

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 $4,864,341 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Due From/To Other Funds:	Due From	Due to
Governmental Funds		
General Fund	29,036	20,357
Other Governmental Funds	20,000	21,757
Fiduciary Funds		6,922
Total	$49,036	$49,036

Interfund loans are necessary to provide cash to reimbursable programs at year end, since the actual cash is not received until after June 30.

B. Transfers In/Out:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	212,346	368,607
Other Governmental Funds	368,962	212,701
Total	581,308	581,308

Transfers were made from federal funds for indirect costs. Also, transfers were made from the General Fund to other governmental funds to offset program cost which were not reimbursed by state or federal funds. Tranfer was made from the 16th Section Interest Fund to the General Fund for operations.

(4) Capital Assets.

The following is a summary of changes in capital assets:

	Balance 07/01/2006	Additions	Deletions	Balance 06/30/2007
Non-depreciable Capital Assets				
Land	50,956			50,956
Depreciable Capital Assets				
Buildings	2,589,329			2,589,329
Building Improvements	99,233			99,233
Improvements other than buildings	845,744		1,275	844,469
Mobile equipment	1,683,408	71,105	140,219	1,614,294
Furniture and equipment	428,113	12,056	80,259	359,910
Total Depreciable Capital Assets	5,645,827	83,161	221,753	5,507,235
Less accumulated depreciation for:				
Buildings	1,656,805	24,644		1,681,449
Building Improvements	11,907	3,970		15,877
Improvements other than buildings	228,209	31,876	1,211	258,874
Mobile equipment	1,167,916	77,751	138,817	1,106,850
Furniture and equipment	341,338	30,197	75,384	296,151
Total accumulated depreciation	3,406,175	168,438	215,412	3,359,201
Net depreciable assets	2,239,652	(85,277)	6,341	2,148,034
Governmental activities capital assets net	2,290,608	(85,277)	6,341	2,198,990

Depreciation was charged to the following functions:

	Amount
Instruction	32,613
Support services	115,636
Non-instructional	20,189
Total depreciation expense	168,438

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

(5) Long-term liabilities.

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

	Balance 07/01/2006	Additions	Reductions	Balance 06/30/2007	Due within one year
A. Compensated absences payable	$65,862		$2,495	$63,367	$2,495
Total	$65,862	$0	$2,495	$63,367	$2,495

A. 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).

(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 Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 the school district is required to contribute at an actuarially determined rate. The current rate is 11.30% 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, 2007, 2006, and 2005 were $681,437, $636,520 and $613,705, respectively, which equaled the required contribution for each year.

(7) Sixteenth Section Funds.

Sixteenth section 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 school 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,	
2008	168,794
2009	65,694
2010	37,394
2011	29,864

	2012	64
	2013 - 2017	320
	2018 - 2022	320
	2023 - 2027	320
	2028 - 2032	320
	2033 - 2037	320
	2038 - 2042	320
	2043 - 2047	225
Total		303,955

(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 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 covers risks of loss arising from injuries to the school district's 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 BancorpSouth Bank in Jackson. 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. 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) During the current fiscal year, the East Tallahatchie School District did not recognize any assets as qualifying as impaired.

EAST TALLAHATCHIE SCHOOL DISTRICT

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EAST TALLAHATCHIE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EAST TALLAHATCHIE SCHOOL DISTRICT

Schedule 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	$ 1,586,766	1,617,849	1,579,628	31,083	(38,221)
State sources	7,493,060	8,206,528	7,624,901	713,468	(581,627)
Federal sources	46,160	46,489	57,880	329	11,391
Total Revenues	9,125,986	9,870,866	9,262,409	744,880	(608,457)
Expenditures:					
Instruction	5,262,646	5,172,515	5,172,516	90,131	(1)
Support services	3,178,642	2,902,599	2,902,599	276,043	0
Noninstructional services	200	192	192	8	0
16th section	0	0	88	0	(88)
Total Expenditures	8,441,488	8,075,306	8,075,395	366,182	(89)
Excess (Deficiency) of Revenues Over Expenditures	684,498	1,795,560	1,187,014	1,111,062	(608,546)
Other Financing Sources (Uses):					
Insurance loss recovery		33,402	33,401	33,402	(1)
Sale of other property	2,000	125	125	(1,875)	0
Operating transfers in	93,026	205,497	212,346	112,471	6,849
Operating transfers out	(293,337)	(368,607)	(368,607)	(75,270)	0
Total Other Financing Sources (Uses)	(198,311)	(129,583)	(122,735)	68,728	6,848
Net Change in Fund Balances	486,187	1,665,977	1,064,279	1,179,790	(601,698)
Fund Balances:					
July 1, 2006	2,508,042	2,507,867	2,548,539	(175)	40,672
June 30, 2007	2,994,229	4,173,844	3,612,818	1,179,615	(561,026)

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

Notes to the Required Supplementary Information

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents 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, the district's only major fund, which is consistent with accounting principles generally accepted in the United States of America.

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EAST TALLAHATCHIE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

EAST TALLAHATCHIE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Direct Program		
Distance Learning and Telemedicine Loans and Grants	10.854	17,107
Passed through the Mississippi Department of Education:		
Non-cash assistance: Food Donation	10.550	42,789
Child Nutrition Cluster:		
School Breakfast Program	10.553	156,486
National School Lunch Program	10.555	470,677
Total Nutrition Cluster		627,163
Fresh Fruit & Vegetable Program	10.552	39,340
Total Passed through Mississippi Department of Education		709,292
Total U.S. Department of Agriculture		726,399
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	41,766
Total Federal Communication Commission		41,766
U.S. Department of Education		
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education - grants to state	84.027	400,384
Special education - preschool grants	84.173	11,259
Total Special Education Cluster		411,643
Title 1 - grants to local educational agencies	84.010	646,908
Career and technical education - basic grants to states	84.048	25,746
Safe and drug free schools and communities- state grants	84.186	20,341
Innovative education program strategies	84.298	12,721
Education technology state grants	84.318	171,879

Reading First State Grants	84.357	289,913
Rural education	84.358	45,387
Literacy Through School Libraries	84.364	9,671
Improving teacher quality - state grants	84.367	147,458
Total Passed through Mississippi Department of Education		1,781,667
Total U.S. Department of Education		1,781,667
Total for All Federal Awards		2,549,832

NOTES TO SCHEDULE

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Schedule 3

Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds

For the Year Ended June 30, 2007

Functions/Programs	Total	Instructional and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 7,364,163	$ 5,473,256	$ 431,951	$ 652,097	$ 806,859
Other expenditures	4,158,616	2,308,054	111,990	62,330	1,676,242
Total	$ 11,522,779	$ 7,781,310	$ 543,941	$ 714,427	$ 2,483,101
Total number of students:	1,464				
Cost per student:	$ 7,871	$ 5,315	$ 372	488	$ 1,696

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

Instruction - 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); and Support Services -Business (2500s)

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

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

include 100 and 200 range object codes on the "Salary and fringe benefits" line; all other expenditures on the "Other" line.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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Robert Britt, CPA, P. A.

P. O. BOX 1477
947 SUNFLOWER AVENUE
SUITE B

TELEPHONE 662-624-6084
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

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

Superintendent and School Board
East Tallahatchie School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2007, which collectively comprise the East Tallahatchie School District's basic financial statements and have issued my report thereon dated August 16, 2008. 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 in order to determine 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 control deficiency exist when the design or operation o a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, 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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose describe 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 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 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 or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to the school district in a separate letter dated August 16, 2008, which is included in this report.

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.

Robert Butt CPA

August 16, 2008

EAST TALLAHATCHIE SCHOOL DISTRICT

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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Robert Britt, CPA, P. A.

P O BOX 1477
947 SUNFLOWER AVENUE
SUITE E

TELEPHONE 662-624-6084
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

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

Superintendent and School Board
East Tallahatchie School District

Compliance

I have audited the compliance of the East Tallahatchie 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 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 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 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 of the school district's compliance with those requirements.

In my opinion, the East Tallahatchie 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

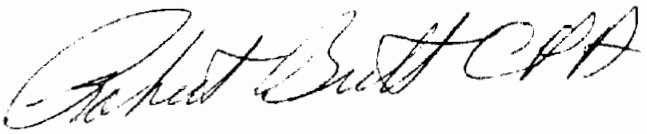
The management of the East Tallahatchie School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school 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, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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 a combination of control deficiencies, that adversely affects the entity's ability to administer a federal programs 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 we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, 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.



August 16, 2008

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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Robert Britt, CPA, P. A.

P O BOX 1477
947 SUNFLWER AVENUE
SUITE B

TELEPHONE 662-624-6084
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

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

Superintendent and School Board
East Tallahatchie School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2007, which collectively comprise East Tallahatchie School District's basic financial statements and have issued my report thereon dated August 16, 2008. 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), 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 our audit and, accordingly, we 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 $ 15,398 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 the following instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in finding number 1 below.

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 our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations.

My findings and recommendations and your responses are as follows:

Finding 1

Expenditures in the Sixteenth Section Interest Fund were charged against the revenue from the 16th section for which the expenditures were made instead of the 4000 expenditure category. This understated revenues and expenditures for the Sixteenth Section Interest Fund.

Recommendation

The district should comply with Section 37-9-18(3)(b), Miss. Code Ann. (1972), and properly code and record expenditures to the proper expenditure functions, regardless of the source of funds from which the expenditure is paid.

Response

The district will comply with Section 37-9-18(3)(b), Miss. Code Ann. (1972), and properly code and record expenditures to the proper expenditure functions.

Finding 2

The district maintains a pooled account for numerous funds. Some of these funds had averaged balances which based on the interest rate of the pooled fund earned in excess of $100. Section 37-59-43, Miss. Code Ann. (1972), requires all interest earned by a fund in excess of $100 be credited to the fund earning the interest.

Recommendation

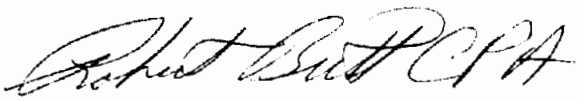
The district should implement a procedure to allocate interest earned in excess of $100 by individual funds to that fund. Unless otherwise restricted the interest can be transferred to the General Fund.

Response

The district will comply with state law and allocate interest as required.

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

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.



August 16, 2008

EAST TALLAHATCHIE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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EAST TALLAHATCHIE 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 general purpose financial statements:	Unqualified
2. Material noncompliance relating to the general purpose financial statements?	No
3. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Reportable condition(s) identified that are not considered to be material weaknesses?	No

Federal Awards:

4. Type of auditor's opinion issues on compliance for major programs:	Unqualified
5. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Reportable condition(s) identified that are not considered to be material weaknesses?	No
6. Any audit finding(s) reported as required by Section ___.510(a) of Circular A-133?	No

7. The major programs were:

Child Nutrition Cluster
School Breakfast Program - CFDA 10.553
National School Lunch Program - CFDA 10.555

Title I Grants to Local Educational Agencies - CFDA 84.010

Special Education Cluster
Special Education - Grants to States - CFDA 84.027
Special Education - Preschool Grants - CFDA 84.173

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

Section 2: Findings Related to the Financial Statements

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

Section 3: Findings and Questioned Cost for Federal Awards

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