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**FORREST COUNTY AGRICULTURAL
HIGH SCHOOL
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2007**

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2007

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

Superintendent and School Board
Forrest County Agricultural High School

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2007, which collectively comprise the Forrest County Agricultural High School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Forrest County Agricultural High School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the 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 Forrest County Agricultural High School, 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*, we have also issued our report dated November 9, 2007, on our consideration of the Forrest County Agricultural High School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forrest County Agricultural High School'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.

Holt & Associates PLLC

November 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

The discussion and analysis of Forrest County Agricultural High School's financial performance provides an overall narrative review of the School's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School'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'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 \$347,805 in 2007 and \$643,518 in 2006, (including the effects of prior period adjustments in each year) which represents an increase of 8.37% and 18.32% respectively.
- General revenues account for \$3,795,270 in 2007 and \$4,282,894 in 2006, or 48.48% and 77.04% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,033,573 in 2007 and \$1,276,075 in 2006 or 51.52% and 22.96% of total revenues, respectively.
- The District had \$7,457,260 in 2007 and \$4,915,451 in expenses; only \$4,033,573 in 2007 and \$1,276,075 in 2006 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,795,270 and \$4,282,894, respectively, were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,989,911 in revenues and \$3,805,013 in expenditures in 2007; in 2006 there were \$3,862,749 in revenues and \$3,648,050 in expenditures. The General Fund's fund balance decreased \$33,792 in 2007, and increased \$21,295 in 2006.
- Capital assets, net of accumulated depreciation, increased by \$654,934 in 2007, and \$119,438 in 2006.
- Long-term debt decreased by \$30,445 in 2007 and \$36,144 in 2006.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School'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.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School'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 School'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 School is improving or deteriorating.

The statement of activities presents information showing how the School'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 School that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on pages 13 - 14 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 School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School 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 School'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 School'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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

comparison between governmental funds and governmental activities. These reconciliations are on pages 16 and 18 respectively.

The School 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 15 – 18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the School's own programs. The accrual basis of accounting is used for fiduciary funds. The school is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 19 and Statement of Changes in Fiduciary Net Assets on page 20.

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 - 33 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 School's budget process.

The School adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 35 - 37 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 40 and 41, respectively, 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 School, assets exceeded liabilities by \$4,505,159 as of June 30, 2007 and \$4,157,354 as of June 30, 2006.

By far the largest portion of the School's net assets at June 30, 2007 and 2006 (71.76% and 61.25%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress, less any related debt used

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

to acquire those assets that is still outstanding). The School uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The School'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 School's net assets for the fiscal years ended June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Current assets	\$1,642,424	\$1,953,322	-19%
Capital assets, net	<u>3,876,320</u>	<u>3,221,386</u>	17%
Total assets	<u>5,518,744</u>	<u>5,174,708</u>	6%
Current liabilities	383,900	356,658	7%
Long-term debt outstanding	<u>629,685</u>	<u>660,696</u>	-5%
Total liabilities	<u>1,013,585</u>	<u>1,017,354</u>	0%
Net assets:			
Invested in capital assets, net of related debt	3,233,057	2,546,386	21%
Restricted	760,740	1,060,072	-39%
Unrestricted	<u>511,362</u>	<u>550,896</u>	-8%
Total net assets	<u>\$4,505,159</u>	<u>\$4,157,354</u>	8%

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Changes in net assets. The School's total revenues for the fiscal year ended June 30, 2007 and 2006 were \$7,828,843 and \$5,558,969, respectively. The total cost of all programs and services was \$7,457,260 in 2007 and \$4,915,451 in 2006. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 266,668	\$ 176,769	34%
Operating grants and contributions	1,557,733	995,546	36%
Capital grants and contributions	2,209,172	103,760	95%
General Revenues			
Taxes	1,149,951	1,306,182	-14%
Unrestricted grants and contributions	2,569,393	2,353,171	8%
Insurance proceeds	-	554,323	100%
Interest earned	28,961	14,911	49%
Other	<u>46,965</u>	<u>54,307</u>	<u>-16%</u>
Total Revenues	7,828,843	5,558,969	29%
Expenses:			
Instruction	5,642,841	2,875,261	49%
Support Services	1,532,662	1,802,022	-18%
Non-instructional	248,947	204,395	18%
Interest on long-term liabilities	<u>32,810</u>	<u>33,773</u>	<u>-3%</u>
Total Expenses	<u>7,457,260</u>	<u>4,915,451</u>	<u>34%</u>
Increase in Net Assets	371,583	643,518	-73%
Net assets, July 1	4,157,354	3,512,205	16%
Prior period adjustment	<u>(23,778)</u>	<u>1,631</u>	<u>107%</u>
Net assets, July 1 (as restated)	<u>4,133,576</u>	<u>3,513,836</u>	<u>15%</u>
Net assets, June 30	<u><u>\$4,505,159</u></u>	<u><u>\$4,157,354</u></u>	<u><u>8%</u></u>

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Governmental activities. The following table presents the cost of four major School functional activities: instruction, support services, non-instructional, 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 School's taxpayers by each of these functions.

	<u>2007</u>		<u>2006</u>
	<u>Total</u> <u>Expenses</u>	<u>Net (Expense)</u> <u>Revenue</u>	<u>Total</u> <u>Expenses</u>
			<u>Net (Expense)</u> <u>Revenue</u>
Instruction	\$5,642,841	\$ (1,890,677)	\$2,875,261
Support Services	1,532,662	(1,440,412)	1,802,022
Non-instructional	248,947	(59,788)	204,395
Interest on long-term liabilities	<u>32,810</u>	<u>(32,810)</u>	<u>33,773</u>
	<u>\$7,457,260</u>	<u>\$ (3,423,687)</u>	<u>\$4,915,451</u>
			<u>\$ (3,639,376)</u>

- Net cost of governmental activities in 2007 was \$3,423,687 and in 2006 was \$3,639,376 financed by general revenue, which is made up of primarily property taxes in 2007 and 2006 of \$1,149,951 and \$1,306,182, respectively.
- Investment earnings accounted for funding of \$28,961 in 2007 and \$14,911 in 2006.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a combined fund balance of \$1,299,090 in 2007, a decrease of \$310,204 and \$1,636,663 in 2006, an increase of \$487,537. Of the fund balance, \$738,461 or 56.84% in 2007 and \$656,825 or 40.13% in 2006, constitutes unreserved and undesignated fund balance, which is available for spending at the School's discretion. The remaining fund balance of \$560,629 or 43.16% in 2007 and \$979,838 or 59.87% in 2006, 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 decrease in fund balance in the General Fund for fiscal year 2007 was \$33,792. The fund balances in all other funds decreased a total of \$276,412.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

BUDGETARY HIGHLIGHTS

Over the course of the year, the School revised the annual operating budget. Some of the significant adjustments are described below.

Fund 2711 – Vocational Revenue from State was increased due to the STEM Grant awarded for the new curriculum designed to replace the Technology Discovery Classes.

Fund 2906 – CSIPP grant was a new fund established in the 2006 – 2007 school year to account for a portion of the CISCO Donation awarded to our School. This grant was used to upgrade and enhance technology in our classrooms.

Fund 2905 – The CISCO/High School Redesign Donation Budget was adjusted to account for the donation dollars received from CISCO. This grant was also used to upgrade and enhance technology in our classrooms.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School's total capital assets as of June 30, 2007 were \$5,274,921 and \$4,413,005 as of June 30, 2006, including school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$861,916 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$1,398,601 and total depreciation expense was \$224,583. Total accumulated depreciation as of June 30, 2006 was \$1,191,622. Total capital assets were \$3,876,320 and \$3,221,386, respectively.

	<u>Capital assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 640	\$ 640	0%
Buildings	2,731,760	2,802,892	-3%
Building improvements	353,255	254,637	28%
Improvements other than buildings	42,098	50,182	-19%
Mobile equipment	84,582	97,249	-15%
Furniture & equipment	<u>663,985</u>	<u>15,786</u>	<u>98%</u>
Total	<u>\$3,876,320</u>	<u>\$ 3,221,386</u>	<u>17%</u>

Additional information of the School's capital assets can be found in Note 4 on page 30 of this report.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Debt Administration. At June 30, 2007 and 2006 the School had \$670,251 and \$700,696, respectively, in limited obligation bonds and other long-term debt outstanding, with \$40,566 in 2007 and \$40,000 in 2006 due within one year.

	Outstanding Debt		Percentage <u>Change</u>
	<u>2007</u>	<u>2006</u>	
Limited obligation bonds payable	\$635,000	\$ 675,000	-6%
Capital lease obligations	8,263	-	100%
Compensated absences payable	<u>26,988</u>	<u>25,696</u>	<u>5%</u>
Total	<u>\$670,251</u>	<u>\$ 700,696</u>	<u>-5%</u>

Additional information of the School's long-term debt can be found in Note 5 on page 31 - 32 of this report.

CURRENT ISSUES

Forrest County Agricultural High school is financially stable. The School is proud of its community involvement and support.

Student enrollment for the 2007 – 2008 school year is 580, which is an increase from our enrollment at the end of the 2006 – 2007 school year.

Based upon the State of Mississippi School Accountability System, Forrest County AHS is rated Level 4.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Forrest County Agricultural High School, 215 Old Highway 49 East, Brooklyn, MS 39425.

FINANCIAL STATEMENTS

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2007**

EXHIBIT A

		Primary Government Governmental Activities
<hr/>		
ASSETS:		
Cash and cash equivalents	\$	1,548,312
Due from other governments		68,666
Due from fiduciary funds		500
Inventories and prepaid items		24,946
Capital assets, not being depreciated:		
Land		640
Capital assets, net of accumulated depreciation:		
Buildings		2,731,760
Building Improvements		353,255
Improvements o/t Buildings		42,098
Mobile Equipment		84,582
Furniture and Equipment		663,985
		<hr/>
TOTAL ASSETS	\$	5,518,744
<hr/>		
LIABILITIES:		
Accounts payable and accrued liabilities	\$	274,483
Unearned revenue		68,851
Long-term liabilities (Due within one year)		
Capital related liabilities		40,566
Long-term liabilities (Due beyond one year)		
Capital related liabilities		602,697
Non-capital related liabilities		26,988
		<hr/>
TOTAL LIABILITIES	\$	1,013,585
<hr/>		
NET ASSETS:		
Investment in capital assets (net of related debt)	\$	3,233,057
Restricted net assets:		
Expendable:		
School-Based Activities		225,057
Debt Service		66,328
Capital Improvement		457,500
Unemployment Benefits		11,855
Unrestricted:		511,362
		<hr/>
TOTAL NET ASSETS	\$	4,505,159
<hr/>		

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
Instruction	\$ 5,642,841	\$ 184,240	\$ 1,358,752	\$ 2,209,172	\$ (1,890,677)
Support Services	1,532,662		92,250	-	(1,440,412)
Non-instructional	248,947	82,428	106,731	-	(59,788)
Interest & other expenses on long-term liabilities	<u>32,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,810)</u>
Total governmental activities	<u>\$ 7,457,260</u>	<u>\$ 266,668</u>	<u>\$ 1,557,733</u>	<u>\$ 2,209,172</u>	<u>(3,423,687)</u>
General Revenues:					
Taxes:					
General purpose levies					
Debt purpose levies					
Unrestricted grants & contributions:					
State					
Federal					
Unrestricted investment earnings					
Gain on Disposition of Assets					
Other					
Total General Revenues					
Change in Net Assets					
Net Assets - Beginning					
Prior Period Adjustment					
Net Assets - Beginning (restated)					
Net Assets - Ending					

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

EXHIBIT C

	MAJOR FUNDS					Total Governmental Funds
	General Fund	Vocational Basic Fund	CSIPP Grant Fund	Capital Improvement Fund	Other Governmental Funds	
ASSETS:						
Cash and cash equivalents	\$ 679,531	\$ 26,133	\$ 107,041	\$ 459,906	\$ 275,701	\$ 1,548,312
Due from other governments	53,584	-	-	-	15,082	68,666
Due from other funds	500	-	-	-	-	500
Inventories	18,225	-	-	-	6,721	24,946
TOTAL ASSETS	\$ 751,840	\$ 26,133	\$ 107,041	\$ 459,906	\$ 297,504	\$ 1,642,424
LIABILITIES & FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 213,490	\$ 26,133	\$ 16,324	\$ 2,406	\$ 16,130	\$ 274,483
Unearned revenues	-	-	-	-	68,851	68,851
Total Liabilities	213,490	26,133	16,324	2,406	84,981	343,334
Fund Balances:						
Reserved For:						
Inventory	18,225	-	-	-	6,721	24,946
Unemployment Benefits	-	-	-	-	11,855	11,855
Debt Service Funds	-	-	-	-	66,328	66,328
Unreserved:						
Designated, reported in:						
Capital Projects	-	-	-	457,500	-	457,500
Undesignated, reported in:						
General Fund	520,125	-	-	-	-	520,125
Special Revenue Funds	-	-	90,717	-	127,619	218,336
Total Fund Balances	538,350	-	90,717	457,500	212,523	1,299,090
TOTAL LIABILITIES & FUND BALANCE	\$ 751,840	\$ 26,133	\$ 107,041	\$ 459,906	\$ 297,504	\$ 1,642,424

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

EXHIBIT C-1

		Amount
Total Fund Balance - Governmental Funds	\$	1,299,090
Amounts reported for net assets in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,398,601.		3,876,320
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(670,251)
Total Net Assets - Governmental Activities	\$	4,505,159

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT D

	MAJOR FUNDS					Total Governmental Funds
	General Fund	Vocational Basic Fund	CSIPP Grant Fund	Capital Improvement Fund	Other Governmental Funds	
REVENUES						
Local Sources	\$ 1,409,772	\$ -	\$ 2,375,454	\$ 13,105	\$ 440,860	\$ 4,239,191
State Sources	2,568,339	158,389	-	-	29,466	2,756,194
Federal Sources	11,800	6,554	-	-	828,534	846,888
TOTAL REVENUES	3,989,911	164,943	2,375,454	13,105	1,298,860	7,842,273
EXPENDITURES						
Instruction	2,327,111	487,460	2,284,737	-	1,094,943	6,194,251
Support Services	1,414,748	-	-	191,309	25,975	1,632,032
Noninstructional Services	63,154	-	-	-	173,168	236,322
Facilities Acquisition & Const.	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	40,000	40,000
Interest	-	-	-	-	32,810	32,810
TOTAL EXPENDITURES	3,805,013	487,460	2,284,737	191,309	1,366,896	8,135,415
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	184,898	(322,517)	90,717	(178,204)	(68,036)	(293,142)
OTHER FINANCING SOURCES (USES)						
Insurance Loss Recoveries	-	-	-	-	-	-
Indirect Costs	-	-	-	-	-	-
Operating Transfers In	562,428	315,429	-	-	153,261	1,031,118
Other financing sources (uses)	-	-	-	-	(17,063)	(17,063)
Operating Transfers Out	(781,118)	-	-	(250,000)	-	(1,031,118)
TOTAL OTHER FINANCING SOURCES (USES)	(218,690)	315,429	-	(250,000)	136,198	(17,063)
NET CHANGE IN FUND BALANCES	(33,792)	(7,088)	90,717	(428,204)	68,162	(310,205)
FUND BALANCE:						
JULY 1, 2006	576,592	7,088	-	885,704	167,279	1,636,663
PRIOR PERIOD ADJUSTMENT	-	-	-	-	(23,778)	(23,778)
JULY 1, 2006, AS RESTATED	576,592	7,088	-	885,704	143,501	1,612,885
INCREASE (DECREASE) IN RESERVE FOR INVENTORY	(4,450)	-	-	-	860	(3,590)
JUNE 30, 2007	\$ 538,350	\$ -	\$ 90,717	\$ 457,500	\$ 212,523	\$ 1,299,090

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
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**

EXHIBIT D-1

Net Change in fund balances - governmental funds \$ (310,205)

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 purchases amounted to \$875,885 and the depreciation amounted to \$224,583, capital leases amounted to \$8,665. | 642,637 |
| 2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. | 40,402 |
| 3. Increase (decrease) in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased (decreased) in the statement of activity. | (3,590) |
| 4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds. | 3,632 |
| 5. Compensated absences | (1,292) |
| 6. Rounding | <u>(1)</u> |
| Change in net assets of governmental activities | <u>\$ 371,583</u> |

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

EXHIBIT E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 52,717	\$ 19,302
TOTAL ASSETS	<u>52,717</u>	<u>19,302</u>
LIABILITIES		
Due to other funds	500	-
Due to student clubs	-	19,302
TOTAL LIABILITIES	<u>500</u>	<u>\$ 19,302</u>
NET ASSETS		
Reserved for endowments	<u>52,217</u>	
TOTAL NET ASSETS	<u>\$ 52,717</u>	

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT F

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Interest on Investments	\$ 1,915
Contributions and Donations from private sources	<u>2,050</u>
TOTAL ADDITIONS	<u>3,965</u>
 CHANGE IN NET ASSETS	 3,965
NET ASSETS:	
July 1, 2006	<u>48,252</u>
June 30, 2007	<u>\$ 52,217</u>

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 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 six member board to which one is an at large member (elected Superintendent of Forrest County School District), two members are appointed by the Forrest County School District Board and three are appointed by the Forrest County Board of Supervisors.

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 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.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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, regard less 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 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.

Vocational Basic Fund - This is the fund that accounts for federal and state revenues used for vocational education.

CSIPP Grant Fund - This is the fund that accounts for funds received from the Petal Foundation in relation to the CISCO grant.

Capital Improvement Fund - This is the fund that accounts for funds, authorized by the school board, to be transferred from the general fund and used for school-wide capital improvements.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

D. 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.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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 consist 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 and are recorded as prepaid items in both the government-wide and governmental 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.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

	<u>Capitalization</u> <u>Policy</u>	<u>Estimated</u> <u>Useful Life</u>
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 lease	*	*

(*) 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. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or 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.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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 borrowing that are attributable to the acquisition, construction 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 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.

Unreserved - designated for, reported in Capital Projects Funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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 fund s report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

P. Other Significant Accounting Policies.

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), et seq., and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), et seq., are maintained by the governing authority of the county and are not included in the government-wide financial statements of the school district. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the county prior to April 15, 1986, or March 3, 1987, as the case may be.

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the county who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of school district related debt.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(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 are imposed by statutes as follows:

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,548,312 and \$72,019, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$1,548,312. The bank balance was \$1,923,979.

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 \$1,923,979 was exposed to custodial credit risk.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007**

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due To/Due froms

	Due To	Due From
Governmental funds:		
General fund	\$ 500	\$ -
Fiduciary funds:	<u>-</u>	<u>500</u>
Totals	<u>\$ 500</u>	<u>\$ 500</u>

The due to/from represents a scholarship that was paid from the general fund and should be reimbursed by the fiduciary fund.

B. Transfers in/out:

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 562,428	\$ 781,118
Vocational Basic Fund	315,429	-
Capital improvement fund	-	250,000
Other governmental funds:	<u>153,261</u>	<u>-</u>
Totals	<u>\$1,031,118</u>	<u>\$ 1,031,118</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(4) Capital Assets.

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

	<u>Balance</u> <u>6/30/2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/2007</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 640	\$ -	\$ -	\$ -	\$ 640
<u>Depreciable capital assets:</u>					
Buildings	3,690,042	-	-	-	3,690,042
Building improvements	265,245	113,780	-	-	379,025
Improvements o/t buildings	167,875	-	-	-	167,875
Mobile equipment	191,535	-	13,969	-	177,566
Furniture and equipment	<u>97,668</u>	<u>762,105</u>	<u>-</u>	<u>-</u>	<u>859,773</u>
Total depreciable capital assets	<u>4,412,365</u>	<u>875,885</u>	<u>13,969</u>	<u>-</u>	<u>5,274,281</u>
Less Accumulated Depreciation for:					
Buildings	887,150	71,132	-	-	958,282
Building improvements	10,608	15,162	-	-	25,770
Improvements o/t buildings	117,693	8,084	-	-	125,777
Mobile equipment	94,286	16,299	13,969	(3,632)	92,984
Furniture and equipment	<u>81,882</u>	<u>113,906</u>	<u>-</u>	<u>-</u>	<u>195,788</u>
Total Accumulated Depreciation	<u>1,191,619</u>	<u>224,583</u>	<u>13,969</u>	<u>(3,632)</u>	<u>1,398,601</u>
Total Depreciable Capital Assets, Net	<u>3,220,746</u>	<u>651,302</u>	<u>-</u>	<u>3,632</u>	<u>3,875,680</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,221,386</u>	<u>\$ 651,302</u>	<u>\$ -</u>	<u>\$ 3,632</u>	<u>\$ 3,876,320</u>

An adjustment to accumulated depreciation on mobile equipment in the amount of \$3,632 was made due to depreciation taken on an asset that was fully depreciated.

Depreciation expense was charged to the following governmental function:

	<u>Amount</u>
Instruction	\$201,453
Support Services	14,197
Noninstructional	<u>8,933</u>
Total depreciation expense	<u>\$224,583</u>

The capital assets above include significant amounts of buildings and furniture and fixtures 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.

There were no outstanding construction commitments as of June 30, 2007.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

(5) Long-term Liabilities.

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

	Balance <u>7/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance <u>6/30/2007</u>	Amounts due within one <u>year</u>
A. Limited obligations bonds payable	\$675,000	\$ -	\$ 40,000	\$ -	\$ 635,000	\$ 40,000
B. Obligations under capital lease	-	8,665	402	-	8,263	566
C. Compensated absences payable	<u>25,696</u>	<u>1,292</u>	<u>-</u>	<u>-</u>	<u>26,988</u>	<u>-</u>
Total	<u>\$700,696</u>	<u>\$ 9,957</u>	<u>\$ 40,402</u>	<u>\$ -</u>	<u>\$ 670,251</u>	<u>\$ 40,566</u>

A. Limited Obligation Bonds Payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement Cede & Co.	Varies	2/3/1998	2/1/2018	\$ 845,000	\$ 610,000
State aid capital improvement Marguerite B. Griffith	5%	3/1/1998	8/1/2015	10,000	10,000
State aid capital improvement Willard B. Morrison, Jr.	Varies	5/11/1998	8/1/2017	<u>15,000</u>	<u>15,000</u>
Total				<u>\$ 870,000</u>	<u>\$ 635,000</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 40,000	\$ 30,150	\$ 70,150
2009	45,000	28,215	73,215
2010	45,000	26,123	71,123
2011	45,000	23,985	68,985
2012	45,000	21,803	66,803
2013-2017	290,000	69,475	359,475
2018-2022	<u>125,000</u>	<u>5,125</u>	<u>130,125</u>
Total	<u>\$ 635,000</u>	<u>\$ 204,876</u>	<u>\$ 839,876</u>

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

B. Obligations under capital leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of a copier. This debt will be retired from the general fund.

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 566	\$ 1,442	\$ 2,008
2009	679	1,331	2,010
2010	812	1,198	2,010
2011	971	1,039	2,010
2012	<u>5,235</u>	<u>379</u>	<u>5,614</u>
 Total	 <u>\$ 8,263</u>	 <u>\$ 5,389</u>	 <u>\$ 13,652</u>

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

year ended June 30, 2007, was 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 \$295,493, \$259,696 and \$220,185, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Operating leases:

The school district has an operating lease for a drivers education car.

Lease expenditures for the year ended June 30, 2007, amounted to \$4,053. Future lease payments for this lease are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2008	\$ 4,053
2009	<u>1,689</u>
Total	<u>\$ 5,742</u>

(8) Prior Period Adjustments.

A prior period adjustment was made to correct due from other governments in the prior year.

Fund Balance at July 1, 2006	\$ 1,636,663
Due from other Governments	<u>(23,778)</u>
Fund Balance as Restated at July 1, 2006	<u>\$ 1,612,885</u>

(9) Risk Management.

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

REQUIRED SUPPLEMENTARY INFORMATION

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE 1a

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local Sources	\$ 1,459,615	\$ 1,411,713	\$ 1,409,772	\$ (47,902)	\$ (1,941)
State Sources	2,573,051	2,548,545	2,568,339	(24,506)	19,794
Federal Sources	-	11,800	11,800	11,800	-
TOTAL REVENUES	<u>4,032,666</u>	<u>3,972,058</u>	<u>3,989,911</u>	<u>(60,608)</u>	<u>17,853</u>
EXPENDITURES					
Instruction	2,110,061	2,247,852	2,327,111	(137,791)	(79,259)
Support Services	1,445,072	1,570,536	1,414,748	(125,464)	155,788
Noninstructional Services	50,000	60,800	63,154	(10,800)	(2,354)
Facilities Acquisition & Const.	40,000	40,000	-	-	40,000
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>3,645,133</u>	<u>3,919,188</u>	<u>3,805,013</u>	<u>(274,055)</u>	<u>114,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>387,533</u>	<u>52,870</u>	<u>184,898</u>	<u>334,663</u>	<u>(132,028)</u>
OTHER FINANCIAL SOURCES (USES)					
Operating Transfers In	349,152	599,152	562,428	250,000	(36,724)
Operating Transfers Out	(772,605)	(752,937)	(781,118)	19,668	(28,181)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(423,453)</u>	<u>(153,785)</u>	<u>(218,690)</u>	<u>269,668</u>	<u>(64,905)</u>
NET CHANGE IN FUND BALANCES	(35,920)	(100,915)	(33,792)	(64,995)	67,123
FUND BALANCE, JULY 1, 2006,	576,592	576,592	576,592	-	-
Increase (Decrease) in Reserve for Inventory	-	-	(4,450)	-	(4,450)
FUND BALANCE, JUNE 30, 2007	<u>\$ 540,672</u>	<u>\$ 475,677</u>	<u>\$ 538,350</u>	<u>\$ (64,995)</u>	<u>\$ 62,673</u>

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
BUDGETARY COMPARISON SCHEDULE FOR THE VOCATIONAL BASIC FUND
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE 1b

	<u>Budgeted Amounts</u>		<u>Actual</u> (GAAP Basis)	<u>Variances</u> Positive (Negative)	
				<u>Original</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	156,626	158,388	158,389	1,762	1
Federal Sources	<u>5,000</u>	<u>6,554</u>	<u>6,554</u>	<u>1,554</u>	<u>-</u>
TOTAL REVENUES	<u>161,626</u>	<u>164,942</u>	<u>164,943</u>	<u>3,316</u>	<u>1</u>
EXPENDITURES					
Instruction	487,449	494,302	487,460	(6,853)	6,842
Support Services	-	-	-	-	-
Noninstructional Services	-	-	-	-	-
Facilities Acquisition & Const.	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>487,449</u>	<u>494,302</u>	<u>487,460</u>	<u>(6,853)</u>	<u>6,842</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(325,823)</u>	<u>(329,360)</u>	<u>(322,517)</u>	<u>(3,537)</u>	<u>6,843</u>
OTHER FINANCIAL SOURCES (USES)					
Operating Transfers In	325,823	315,429	315,429	(10,394)	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>325,823</u>	<u>315,429</u>	<u>315,429</u>	<u>(10,394)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(13,931)	(7,088)	6,857	6,843
FUND BALANCE, JULY 1, 2006	<u>7,088</u>	<u>7,088</u>	<u>7,088</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 7,088</u>	<u>\$ (6,843)</u>	<u>\$ -</u>	<u>\$ 6,857</u>	<u>\$ 6,843</u>

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
BUDGETARY COMPARISON SCHEDULE FOR THE CSIPP GRANT
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE 1c

	<u>Budgeted Amounts</u>		<u>Actual</u> (GAAP Basis)	<u>Variances</u> Positive (Negative)	
				<u>Original</u> to Final	<u>Final</u> to Actual
	<u>Original</u>	<u>Final</u>			
REVENUES					
Local Sources	\$ -	\$ 454,369	\$ 2,375,454	\$ 454,369	\$ 1,921,085
State Sources	-	-	-	-	-
Federal Sources	-	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>454,369</u>	<u>2,375,454</u>	<u>454,369</u>	<u>1,921,085</u>
EXPENDITURES					
Instruction	-	554,369	2,284,737	(554,369)	(1,730,368)
Support Services	-	-	-	-	-
Noninstructional Services	-	-	-	-	-
Facilities Acquisition & Const.	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>554,369</u>	<u>2,284,737</u>	<u>(554,369)</u>	<u>(1,730,368)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(100,000)</u>	<u>90,717</u>	<u>(100,000)</u>	<u>190,717</u>
OTHER FINANCIAL SOURCES (USES)					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(100,000)	90,717	(100,000)	190,717
FUND BALANCE, JULY 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 90,717</u>	<u>\$ (100,000)</u>	<u>\$ 190,717</u>

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

Budgetary Comparison Schedule

(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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed-Through Mississippi Dept. of Education:		
Non-Cash Assistance		
Food Donation	10.550	\$ 4,860
Child Nutrition Cluster		
National School Lunch Program	10.555	100,613
Total Child Nutrition Cluster		<u>105,473</u>
Total U.S. Dept. of Agriculture		<u>105,473</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>11,760</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed-Through Mississippi Dept. of Education:		
Title I Grants to Local Educational Agencies	84.010	151,710
Vocational Education - Basic Grants to States	84.048	6,554
Safe and Drug Free Schools and Communities - State Grants	84.186	6,976
State Grants for Innovative Programs	84.298	1,843
Education Technology State Grants	84.318	551
Transition to Teaching	84.350	40
Improving Teacher Quality - State Grants	84.367	30,493
Hurricane Education Recovery	84.938	418,012
Total		<u>616,179</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	102,734
Total Special Education Cluster		<u>102,734</u>
Total Passed-Through MDE		<u>718,913</u>
Total U.S. Department of Education		<u>718,913</u>
Total for all Federal Awards		<u>\$ 836,146</u>

NOTES TO THE SCHEDULE:

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 3,642,913	\$ 2,917,089	\$ 213,230	\$ 215,733	\$ 296,861
Other	<u>4,492,502</u>	<u>3,516,363</u>	<u>81,799</u>	<u>22,677</u>	<u>871,663</u>
 Total	 <u>\$ 8,135,415</u>	 <u>\$ 6,433,452</u>	 <u>\$ 295,029</u>	 <u>\$ 238,410</u>	 <u>\$ 1,168,524</u>

Total number of students **525**

Cost per student \$ 15,496 \$ 12,254 \$ 562 \$ 454 \$ 2,226

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

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

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

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

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HOLT & ASSOCIATES, PLLC

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

Superintendent and School Board
Forrest County Agricultural High School

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Forrest County Agricultural High School as of and for the year ended June 30, 2007, which collectively comprise Forrest County Agricultural High School's basic financial statements and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our 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, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

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 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.

We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings *2007-1*, *2007-2*, *2007-3* and *2007-4* to be significant deficiencies 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.

Our consideration of internal control over financial reporting 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings *2007-2* and *2007-4* to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated November 9, 2007, 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.

Holt & Associates PLLC

November 9, 2007

HOLT & ASSOCIATES, PLLC

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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
Forrest County Agricultural High School

Compliance

We have audited the compliance of the Forrest County Agricultural High School 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 school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Halt + Associates PLLC
November 9, 2007

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

HOLT & ASSOCIATES, PLLC

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

Superintendent and School Board
Forrest County Agricultural High School

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2007, which collectively comprise Forrest County Agricultural High School's basic financial statements and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,023 classroom supply funds carried over from previous years.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3) (b), Miss. Code Ann. (1972), disclosed the following instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in finding number one below.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

Finding #1:

In testing compliance with requirements of Section 37-9-18(3) (b), we found one instance where the purchase of computers for instructional purposes was posted to support services.

Recommendation: Expenditures should be closely reviewed by appropriate levels of management to assure that they are correctly coded.

Finding #2:

In testing compliance with Section 37-61-19, we found three funds that had expenditures in excess of resources available.

Recommendation: Expenditures should be closely monitored for expending in excess of available resources.

Finding #3:

Interfund transfers did not have board approval.

Recommendation: All interfund transfers should be approved by the board and spread upon the minutes.

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.

Holt Associates PLLC

November 9, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
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? | Yes |
| 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 finding(s) reported as required by Section ____.510 (a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. <u>CFDA #84.938 Hurricane Education Recovery</u> | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

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? Yes

Section 2: Financial Statement Findings

The results of our test disclosed the following findings related to the financial statements:

2007-1

Condition: The same individual performed accounting functions which indicated a lack of proper segregation of duties for an efficient internal control structure.

Criteria: An efficient internal control structure would allow for proper segregation of duties of accounting functions.

Effect: Lack of proper internal controls.

Recommendation: Due to the size of operations, the cost of hiring staff to appropriately segregate duties would exceed any benefit.

2007-2

Condition: Capital asset additions were not added to the subsidiary ledger and depreciation schedule. These were added and depreciation computed as part of the audit procedures. Capital assets were not always tagged, assets were not always in identified locations, and a physical count of capital assets was not done.

Criteria: Internal controls should be in place to ensure that all capital assets are recorded, tagged, and accounted for.

Effect: The subsidiary ledger did not accurately reflect the capital assets of the school, depreciation was computed incorrectly, and assets could not be physically identified.

Recommendation: Additions and deletions of capital assets should be reconciled to the general ledger each month and the appropriate entries made to the subsidiary ledger and depreciation schedule. All assets should be tagged and the physical custody of each asset should be maintained. A physical inventory of capital assets should be performed annually.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

2007-3:

Condition: Club fund and athletic fund disbursements were not properly recorded. Athletic fund expenditures were erroneously posted to the club funds in six months of the fiscal year.

Criteria: Internal controls should be in place to ensure proper posting of expenditures.

Effect: Club funds are understated and athletic funds are overstated by \$1,905.

Recommendation: All disbursements should be properly coded and posted to the general ledger.

2007-4:

Condition: Donated assets were not recorded as revenue or as capital assets.

Criteria: Proper internal controls should be in place to ensure that all revenues are recorded in the financial statements.

Effect: Revenues and capital assets were understated by the donated assets.

Recommendation: All donations should be recorded in the financial statements; donated assets should be recorded as revenue and as capital assets.

Section 3: Federal Award Findings and Questioned Costs

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

**AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Forrest County Agricultural High School

KYLE NOBLES
SUPERINTENDENT

AUDITEE'S CORRECTIVE ACTION PLAN AND SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section__315 (b) of OMB Circular A-133, the Forrest County Agricultural High School has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2007:

<u>Finding:</u>	<u>Corrective Action Plan Details:</u>
2007-1:	<p>(a) Name of Contact Person for Corrective Action: Kyle Nobles, Superintendent and Lori Dubose, Business Manager</p> <p>(b) Corrective Action Planned: The duties in the Business Office will be separated to the greatest possible extent with a staff of three. The Business Office staff will devise a daily system of checks and balances for all cash transactions and payroll functions to ensure accuracy and reliability.</p> <p>(c) Anticipated Completion Date: Segregation of duties between the three staff members has been implemented to the greatest extent possible.</p>
2007-2:	<p>(a) Name of Contact Person for Corrective Action: Kyle Nobles, Superintendent and Lori Dubose, Business Manager</p> <p>(b) Corrective Action Planned: Procedures will be designed to ensure that all capital expenditures are properly recorded, tagged, and accounted for. The Business Manager will review equipment purchases and reconcile the asset ledger to the general ledger monthly and a physical inventory conducted prior to each fiscal year end.</p> <p>(c) Anticipated Completion Date: Acquisition reports are being printed monthly and appropriate paperwork completed so that all assets can be recorded and accounted for in the asset ledger. Paperwork for distributing and transferring of these asset have been discussed with the appropriate personnel so that all assets can be located.</p>

- 2007-3:
- (a) Name of Contact Person for Corrective Action:
Kyle Nobles, Superintendent and Lori Dubose, Business Manager
 - (b) Corrective Action Planned:
The Receipts and Disbursements Reports for the Student Activities Accounts and Club Account will be reviewed to be sure that all transactions are recorded in the appropriate fund.
 - (c) Anticipated Completion Date:
The Student Activities Accounts and the Club Accounts are reviewed monthly to be sure that the transactions are recorded correctly and that the general ledger accounts balance to the subsidiary ledgers.
- 2007-4:
- (a) Name of Contact Person for Corrective Action:
Kyle Nobles, Superintendent and Lori Dubose, Business Manager
 - (b) Corrective Action Planned:
Procedures will be designed to account for all donated equipment on the financial statement and the asset subsidiary ledger.
 - (c) Anticipated Completion Date:
Beginning with the current fiscal year, all donated equipment will be submitted to the Board for approval and then recorded in the general ledger and the asset ledger.

As required by Section __.315 (b) of OMB Circular A-133, the Forrest County Agricultural High School has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2006:

<u>Finding:</u>	<u>Corrective Action Taken:</u>
2006-1:	Finding is repeated.
2006-2:	Finding has been corrected.
2006-3:	Finding is repeated.
2006-4:	Finding has been corrected.