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ITAWAMBA COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

ITAWAMBA COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2007

	Page
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	1-2
Management's Discussion and Analysis	3-10
Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Fiduciary Assets and Liabilities	17
Notes to Financial Statements	18-32
Required Supplementary Information	
Budgetary Comparison for Major Funds	33
Notes to Required Supplementary Information	34
Supplemental Information	
Schedule of Expenditures of Federal Awards	35
Schedule of Instructional, Administrative and Support Service Expenditures	36
Compliance and Internal Control Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with Government *Auditing Standards*	37-38
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	39-40
Independent Auditors' Report on Compliance with State Laws and Regulations	41-42
Schedule of Findings and Questioned Costs	43-45

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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Itawamba County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2007, which collectively comprise the Itawamba County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Itawamba County School District's management. Our responsibility is to express an opinion 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 the Itawamba County School District at 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 a report dated February 26, 2009, on our consideration of the Itawamba County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

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The Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Schedules and corresponding notes on pages 33 through 34 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 inquires 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 an opinions on the financial statements that collectively comprise the Itawamba County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brawner, Vanstory + Co. P.A.

February 26, 2009
Booneville, Mississippi

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

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

FINANCIAL HIGHLIGHTS

- Net Assets increased $527,460 which is an increase of 2.9% from fiscal year 2006. This increase was due mainly to an increase in revenues.

Revenues	2007	%	2006	%
General				
Tax levies	$ 4,591,980	16.73%	$ 4,457,730	16.72%
Unrestricted federal and	-		-	
state revenue	17,361,091	63.26%	16,757,060	62.86%
Other	73,654	0.27%	32,595	0.12%
Total General Revenues	22,026,725		21,247,385	
Program				
Charges for services	1,511,244	5.51%	1,472,957	5.53%
Operating grants	3,772,104	13.74%	3,938,750	14.77%
Capital grants	135,638	0.49%		
Total Program Revenues	5,418,986		5,411,707	
Total Revenues	$ 27,445,711	100.00%	$ 26,659,092	100.00%

(Program revenues are those which are received in the form of charges for services, grants and contributions and are applied to specific programs).

- Governmental Funds:

General Funds	Revenues	Expenditures	Fund Balance
2007	$ 21,668,397	$ 20,450,238	$ 3,224,302
2006	$ 20,883,416	$ 19,173,349	$ 3,257,704
Net Change	$ 784,981	$ 1,276,889	$ (33,402)

The fund decrease from the prior year was a result of increases in expenditures.

-

Capital Assets, net of	2007	2006	Net Change
accumulated depreciation	$ 29,300,396	$ 29,911,174	(610,778)

The decrease in net value of capital assets resulted mainly from depreciation.

-

Long-term Debt	2007	2006	Net Change
	$ 14,652,767	$ 15,857,976	$ (1,205,209)

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 16, respectively.

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

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statement of Fiduciary Assets on page 17.

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 18-32 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on page 33 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $18,495,603 as of June 30, 2007.

By far the largest portion of the District's net assets, 81% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Capital assets percentage of total assets is 83%.

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

The following table presents a summary of the District's net assets for the fiscal year 2007 compared to 2006:

	2007	2006	% Change
Current assets	$ 5,845,905	$ 5,527,737	6%
Capital assets	29,300,396	29,911,174	-2%
Total assets	35,146,301	35,438,911	-1%
Current liabilities	1,997,931	1,612,792	24%
Long-term debt outstanding	14,652,767	15,857,976	-8%
Total liabilities	16,650,698	17,470,768	-5%
Net assets:			
Capital assets, net	14,970,396	14,326,174	4%
Restricted	623,445	717,608	-13%
Unrestricted	2,901,762	2,924,361	-1%
Total net assets	$ 18,495,603	$ 17,968,143	3%

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

The principal retirement of long term debt: $1,255,000

Additions to capital assets and improvements: $308,010

Changes in net assets. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 compared to 2006.

	2007	2006	% Change
Revenues:			
Program revenues			
Tax levies	4,591,980	4,457,730	3%
Unrestricted federal & state revenue	17,361,091	16,757,060	4%
Other	73,654	32,595	126%
Total	22,026,725	21,247,385	4%
General revenues			
Charges for service	1,511,244	1,472,957	3%
Operating grants and contributions	3,772,104	3,938,750	-4%
Capital grants	135,638	-	100%
Total	5,418,986	5,411,707	0%
Total revenues	27,445,711	26,659,092	3%
Expenses:			
Instruction	16,720,994	16,028,214	4%
Support services	7,685,242	7,056,740	9%
Non-instructional	1,849,293	1,814,857	2%
Interest on long-term debt	662,722	657,136	1%
Total expenses	26,918,251	25,556,947	5%
Changes in net assets:	$ 527,460	$ 1,102,145	-52%

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

Net (Expense) Revenue

	2007	2006	% Change
Instruction	$ (14,270,556)	$ (13,537,730)	5%
Support services	(6,489,505)	(5,967,164)	9%
Non-instructional	(76,482)	16,790	556%
Interest on long-term debt	(662,722)	(657,136)	1%
Total expenses	$ (21,499,265)	$ (20,145,240)	7%

Net cost of activities	$ (21,499,265)	was financed by general revenue, which is composed of:
1) property taxes of	4,591,980	
2) state revenue of	17,192,678	
3) federal revenue of	168,413	
4) investment earnings	40,079	
5) other	33,575	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. The following table reflects fund balances for the fiscal year ending June 30, 2007 compared to fiscal year 2006.

	2007	2006	% Change
Unreserved/undesignated	$ 3,383,277	$ 3,477,627	-3%
Reserved or designated	665,473	608,201	9%
Total fund balance	4,048,750	4,085,828	-1%

Unreserved and undesignated funds are funds which are available for spending at the District's discretion. Reserved or designated funds are those which are committed for debt service, capital improvements and other restricted uses.

BUDGETARY HIGHLIGHTS

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

General Fund local revenues were less than expected and the local revenue budget was reduced.

All expenditure categories were reduced in the amended budget except interest which was increased approximately $900. The final expenditures were, in total, below the original but higher than the amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The table below summarizes and compares capital assets and accumulated depreciation for the fiscal year June 30, 2007 and compares it to those corresponding values for 2006.

	2007	2006	% Change
Total Capital Assets	$ 39,619,409	$ 39,325,299	1%
Accumulated Depreciation	10,319,013	9,414,125	10%
Total Capital Assets	29,300,396	29,911,174	-2%

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

Debt Administration. The table below summarizes and compares general obligation bonds and other long-term debt for the fiscal year June 30, 2007 and compares it to those corresponding values for 2006.

	2007	2006	% Change
General Obligation Bonds	$ 6,285,000	$ 6,670,000	-6%
Other	8,367,767	9,187,976	-9%
Total long-term debt	14,652,767	15,857,976	-8%

Additional information of the District's long-term debt can be found in Note 5 on pages 27-30 of this report.

CURRENT ISSUES

The Itawamba County School District is financially stable. The District is proud of its community support of the public schools.

The District is now committed to financial excellence. The millage has increased slightly over the last few years despite funding cuts and additional mandated expenditures by the State of Mississippi. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase slightly. The budget for the next fiscal year has taken into account a reduction in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, you may contact:

Office of the Superintendent
Itawamba County School District
605 S Cummings
Fulton, MS 38843

Exhibit A

ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 2)	$ 2,068,907
Investments	2,650,000
Due from other governments	880,392
Due from other funds	2,007
Inventories	43,784
Restricted assets	200,815
Capital Assets, not being depreciated, (Note 4)	
Land	1,161,634
Construction in Progress	38,204
Capital Assets, net of accumulated depreication	
Buildings	26,273,153
Building improvements	28,764
Improvements other than buildings	452,379
Mobile equipment	1,241,401
Furniture and equipment	104,861
Total Assets	35,146,301
LIABILITIES	
Accounts payable and accrued liabilities	1,768,947
Unearned Revenue	28,208
Interest Payable on Long Term liabilities	200,776
Long Term Liabilities (due within one year) (Note 5)	
Capital Related Liabilities	1,310,000
Long Term Liabilities (Due Beyond one year) (Note 5)	
Capital Related Liabilities	13,020,000
Non-capital Liabilities	322,767
Total Liabilities	16,650,698
NET ASSETS	
Invested in capital assets, net of related debt	14,970,396
Restricted net assets:	
Expendable	
School based activities	202,532
Debt service	335,708
Unemployment benefits	85,205
Unrestricted	2,901,762
Total Net Assets	18,495,603
Total Liabilities and Net Assets	$ 35,146,301

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

Exhibit B

ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities
Governmental Activities					
Instruction	$ 16,720,994	863,771	1,586,667	-	(14,270,556)
Support services	7,685,242	-	1,060,099	135,638	(6,489,505)
Noninstructional services	1,849,293	647,473	1,125,338	-	(76,482)
Interest on long-term debt	662,722	-	-	-	(662,722)
Total Governmental Activities	26,918,251	1,511,244	3,772,104	135,638	(21,499,265)

General Revenues:	
Taxes:	
General purpose levies	3,812,862
Debt purpose levies	779,118
Unrestricted grants and contributions	
State	17,192,678
Federal	168,413
Unrestricted investment earnings	40,079
Other	33,575
Total General Revenues	22,026,725
Change in Net Assets	527,460
Net Assets-Beginning	17,968,143
Net Assets-Ending	$ 18,495,603

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

ITAWAMBA COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

Exhibit C

	Major Funds				
	General Funds	Bond Redemption Fund No. 1	Bond Redemption Fund No. 2	Other Governmental Funds	Total (Memorandum Only)
ASSETS					
Cash and cash equivalents (Note 2)	$ 1,602,375	$ 26,154	44,852	395,526	2,068,907
Investments (Note 2)	2,265,000	125,000	100,000	360,815	2,850,815
Due from other governments	412,469	5,435	15,579	446,909	880,392
Due from other funds (Note 3)	363,368	-	-	11,348	374,716
Inventories	-	-	-	43,784	43,784
Total Assets	4,643,212	156,589	160,431	1,258,382	6,218,614
LIABILITIES					
Accounts payable and accrued liabilities	1,407,562	-	-	361,385	1,768,947
Unearned revenue	-	-	-	28,208	28,208
Due to other funds (Note 3)	11,348	95,000	160,431	105,930	372,709
Total Liabilities	1,418,910	95,000	160,431	495,523	2,169,864
FUND BALANCES					
Reserved for:					
Inventory	-	-	-	43,784	43,784
Debt service	-	61,589	-	474,895	536,484
Unemployment benefits	-	-	-	85,205	85,205
Undesignated reported in:					
General Funds	3,224,302	-	-	-	3,224,302
Special Revenue Funds	-	-	-	158,975	158,975
Total Fund Balances	3,224,302	61,589	-	762,859	4,048,750
Total Liabilities and Fund Balances	$ 4,643,212	$ 156,589	160,431	1,258,382	6,218,614

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

ITAWAMBA COUNTY SCHOOL DISTRICT **Exhibit C-1**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2007

		Amount
Total Fund Balance - Governmental Funds	$	4,048,750
Amounts reported for governmental activities in the statement of net assets are different because:		
1 Capital assets are used ingovernmental activities, but are not financial resources and therefore are not reported in the funds, $39,619,409, net of accumulated depreciation of $10,319,013.		29,300,396
2 Long-term liabilities are not due and payable in the current period and therfore, are not reported in the funds.		(14,652,767)
3 Governmental funds recognize interest on long-term debt when it becomes due, however, the statement of net assets recognizes interest as it accrues.		(200,776)
Total Net Assets- Governmental Activities	$	18,495,603

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

ITAWAMBA COUNTY SCHOOL DISTRICT **EXHIBIT D**

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General Funds	Bond Retirement Fund No. 1	Bond Retirement Fund No. 2	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 4,807,553	163,231	463,628	815,314	6,249,726
State sources	16,715,980	2,365	6,782	1,184,155	17,909,282
Federal sources	144,864	-	-	3,141,689	3,286,553
Total Revenues	21,668,397	165,596	470,410	5,141,158	27,445,561
Expenditures:					
Instruction	13,574,322	-	-	2,518,950	16,093,272
Support services	6,303,478	-	-	1,336,604	7,640,082
Noninstructional services	-	-	-	1,824,266	1,824,266
Facilities acquisition	38,204	-	-	-	38,204
Principal	380,000	120,000	265,000	490,000	1,255,000
Interest	154,234	19,775	215,918	242,901	632,828
Total Expenditures	20,450,238	139,775	480,918	6,412,721	27,483,652
Excess of Revenues Over (Under) Expenditures	1,218,159	25,821	(10,508)	(1,271,563)	(38,091)
Other Financing Sources (Uses)					
Sale of Capital Assets	285	-	-	-	285
Operating Transfers In	29,928	-	10,508	1,269,520	1,309,956
Operating Transfers Out	(1,280,028)	-	-	(29,928)	(1,309,956)
Total Other Financing Sources(Uses)	(1,249,815)	-	10,508	1,239,592	285
Net Changes in Fund Balances	(31,656)	25,821	-	(31,971)	(37,806)
Fund balances, July 1, 2006	3,257,704	35,768	-	792,356	4,085,828
Prior period adjustments	(1,746)	-	-	1,746	-
Fund balances restated July 1, 2006	3,255,958	35,768	-	794,102	4,085,828
Increase in reserve for inventory	-	-	-	728	728
Fund balances, June 30, 2007	$ 3,224,302	61,589	-	762,859	4,048,750

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

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

EXHIBIT D-1

	Amount
Net Change in Fund Balances - Governmental Funds	$ (37,806)
Amounts reported ror 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 asets purchases amounted to $308,010 and the depreciation expense amounted to $918,649.	(610,639)
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 Activities.	1,255,000
3 Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues, regardless of when it becomes due.	(29,893)
4 Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds. Compensated absences	(49,791)
5 Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Asctivities, net of proceeds.	(139)
6 Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	728
Change in Net Assets	$ 527,460

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

Exhibit E

ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 260,605
Total Assets	260,605
LIABILITIES	
Accounts payable and accrued liabilities	258,598
Due to other funds	2,007
Total Liabilities	$ 260,605

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

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board, to which each member was elected by the citizens of each defined county district.

The Itawamba County School Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards and is included in the district's reporting entity.

The Authority is governed by a five member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. (see Note 9)

B. Basis of Presentation

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

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. 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.

(1) Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take 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 is 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

Bond Retirement Fund No. 1 – This fund is used to collect revenues for the payment of bond principal and interest and related costs.

Bond Retirement Fund No. 2– This fund is used to collect revenues for the payment of bond principal and interest and related costs.

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 capital projects) that are legally restricted for specific expenditure purposes.

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

(1) Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUNDS

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

D. Account Classifications

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

E. Encumbrances

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

F. Cash and Cash Equivalents

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents 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 an original 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.

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

(1) Summary of Significant Accounting Policies (Continued)

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 statement.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

J. Long-term liabilities

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

K. Interfund Transactions and Balances

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

L. Equity Classifications

Government-Wide Financial Statements:

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

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

b. 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.

c. 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 a 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, undesignated – An account that represents the portion of fund balance that is expendable available financial resources.

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

O. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(2) Cash and Cash Equivalents and Investments

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

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

Investments – Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments : (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government of enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds) and bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

(2) Cash and Cash Equivalents and Investments (Continued)

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was $2,068,907 and $260,605, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents $2,068,907 and the restricted assets of $200,815. The bank balance was $1,759,875.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of $1,759,875 was exposed to custodial credit risk.

Investments.

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

Investment Type	Maturities (in years)	Fair Value	Rating
Hancock Horizon Treasury Securities Money Market	Less than 1 year	$ 200,815	AAA
Goldman Sachs Financial Square Government Fund	Less than 1 year	2,650,000	Aaa
Total Investments		$ 2,850,815	

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

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

Custodial Credit Risk-Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside part. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, none of the district's investment balance was exposed to custodial credit risk.

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

(2) Cash and Cash Equivalents and Investments (Continued)

Issuer	Fair Value	% of Total Inverstment
Goldman Sachs Financial Square Government Fund	$ 2,650,000	93%

(3) Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Reason	Due From	Due To
Governmental Funds			
General Funds	Temporary Loan	$ 363,368	11,348
Bond Retirement Fund No.1	Temporary Loan		95,000
Bone Retirement Fund No. 2	Temporary Loan		160,431
Other Governmental Funds	Temporary Loan	11,348	105,930
		374,716	372,709
Fiduciary Funds	Temporary Loan		2,007
Total Funds		$ 374,716	374,716

$363,368 is for temporaryloans to funds until grant money is received. $11,348 is for Extended Year Fund expenses to be repaid by District Maintenance

B. Transfers In/Out

		Transfers In	Transfers Out
Governmental Funds			
General Funds	Support	$ 29,928	1,280,028
Bond Retirement Fund No, 2	Support	10,508	-
Other Governmental Funds	Support	1,269,520	29,928
Total Funds		$ 1,309,956	1,309,956

Transfers out of $29,928 is for indirect cost paid to District Maintenance and $1,280,028 is for support of Vocational Fund $1,007,544, Debt ServiceFund $54,760, Preschool Special Education $64,852, EEF Funds $64,189, Technology Fund $26,444, Extended School $15,433, Title I $14,1405, Title II $18,730 and Drug Free School $18,471

(4) Capital Assets

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

	Balance 7/1/2006	Additions	Retirements	Balance 6/30/2007
Non-depreciable capital assets				
Land	$ 1,161,634	-	-	1,161,634
Construction in Progress	-	38,204	-	38,204
Total non-depreciable	1,161,634	38,204	-	1,199,838
Depreciable capital assets:				
Buildings	33,281,226	-	-	33,281,226
Building Improvements	39,950	-	-	39,950
Improvements other than buildings	1,014,698	-	-	1,014,698
Mobile equipment	3,213,770	247,825		3,461,595
Furniture and equipment	614,021	21,981	13,900	622,102
Total depreciable capital assets	38,163,665	269,806	13,900	38,419,571
Less accumulated depreciation for:				
Buildings	6,363,204	644,869	-	7,008,073
Building improvements	9,588	1,598	-	11,186
Improvements other than buildings	528,535	33,784	-	562,319
Mobile equipment	2,015,344	204,850	-	2,220,194
Furniture and equipment	497,454	33,548	13,761	517,241
Total accumulated depreciation	9,414,125	918,649	13,761	10,319,013
Total depreciable capital assets, net	28,749,540	(648,843)	139	28,100,558
Governmental activities capital assets, net	$ 29,911,174	(610,639)	139	29,300,396

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 588,779
Support services	304,799
Non-instructional	25,071
Total depreciation expense	$ 918,649

(5) Long-term liabilities

The following is a summary of changes in general long-term debt and other obligations:

	Balance 7/1/2006	Additions	Reductions	Balance 6/30/2007	Amounts due within one year
A. General obligation bonds payable	$ 6,670,000	-	385,000	6,285,000	405,000
B. Limited obligation bonds payable	5,100,000	-	300,000	4,800,000	310,000
C. Certificates of participation payable	3,430,000	-	380,000	3,050,000	400,000
D. Three mill notes payable	385,000	-	190,000	195,000	195,000
E Compensated absences payable	272,976	49,791	-	322,767	-
	$ 15,857,976	49,791	1,255,000	14,652,767	1,310,000

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds, Series 2002	2.75-3.75%	12/1/2002	12/1/2010	$ 1,000,000	535,000
General Obligation Bonds, Series 2003	Varies	4/1/2003	4/1/2019	6,700,000	5,750,000
Total				$ 7,700,000	6,285,000

(5) Long-term liabilities (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	$ 405,000	220,688	625,688
2009	425,000	206,621	631,621
2010	445,000	191,733	636,733
2011	465,000	175,983	640,983
2012	480,000	161,983	641,983
2013-2017	2,778,000	51,465	2,829,465
2018-2019	1,290,000	73,185	1,363,185
	$ 6,288,000	1,081,658	7,369,658

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 5.5% of property assessments as of October 1, 2006. This debt will be retired from the General Obligation Debt Retirement Fund.

B. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvements Series 1998	4.3-6.1%	3/01/1998	3/01/2018	$ 6,500,000	4,800,000
Total				$ 6,500,000	4,800,000

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

Year Ending June 30,	Principal	Interest	Total
2008	$ 310,000	207,895	517,895
2009	325,000	193,003	518,003
2010	340,000	178,705	518,705
2011	355,000	163,585	518,585
2012	375,000	147,525	522,525
2012-2016	2,135,000	464,514	2,599,514
2017-2018	960,000	32,288	992,288
	$ 4,800,000	1,387,515	6,187,515

(5) Long-term liabilities (Continued)

The state aid capital improvements 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.

C. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust certificate, Series 1993	4.1-5.8%	9/15/1993	9/15/2008	$ 940,000	175,000
Trust certificate, Series 1997	4.5-6.4%	8/01/1997	8/01/2009	1,265,000	400,000
Trust certificate, Series 1998	4.5-5.7%	6/01/1998	6/01/2018	1,300,000	870,000
Trust certificate, Series 2001	3.1-4.8%	10/01/2001	10/01/2016	2,200,000	1,605,000
Total				$ 5,705,000	3,050,000

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

Year Ending June 30,	Principal	Interest	Total
2008	$ 400,000	132,542	532,542
2009	430,000	113,912	543,912
2010	355,000	96,363	451,363
2011	220,000	83,716	303,716
2012	230,000	73,718	303,718
2012-2016	1,315,000	198,263	1,513,263
2017-2019	100,000	4,900	104,900
	$ 3,050,000	703,414	3,753,414

This debt will be retired from the District Maintenance Fund.

(5) Long-term liabilities (Continued)

D. Three-mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Notes payable, Series 1998	4.25-5.7%	6/01/1998	6/01/2008	$ 1,390,000	195,000
Total				$ 1,390,000	195,000

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

Year Ending June 30,	Principal	Interest	Total
2008	$ 195,000	8,288	203,288
Total	$ 195,000	8,288	203,288

This debt will be retired from the Three-Mill Debt Retirement Fund.

E. 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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 the fiscal 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 Itawamba County School District's contributions to PERS for the years ending June 30, 2007, 2006, and 2005, were $1,735,679, $1,590,795, and $1,345,867, respectively, equal to the required contributions for each year.

(7) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit D - Statement of Revenues, Expenditures and Chances in Fund Balances

Major Funds	Explanation(s)	Amount
General Fund	To correct a prior period error in recording E-Rate receivables	$ 1,746
Other governmental funds	To correct a prior period error in recording E-Rate receivables	(1,746)
Totals		$ -

(8) Risk Management

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

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in the trust by BancorpSouth in Bank in Jackson. The funds in the trust account are used to pay any claim up to $700,000. For a claim exceeding $700,000, MSBAWCT has insurance, which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(9) Trust Certificates

A trust agreement dated September 15, 1993, was executed by and between the school district and the Itawamba County Leasing Authority, with the People's Bank of Biloxi, Mississippi, as trustee. The trust agreement authorized the issuance of certificates of participation in the principal amount of $940,000. The proceeds are to be used for capital improvements within the school district.

A second trust agreement dated August 1, 1997, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of certificates of participation in the principal amount of $1,265,000. The proceeds are to be used for capital improvements within the school district.

A third trust agreement dated June 1, 1998, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of certificates of participation in the principal amount of $1,300,000. The proceeds are to be used for capital improvements within the school district.

(9) Trust Certificates -Continued

A fourth trust agreement dated October 1, 2001, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the First National Bank of Clarksdale, Mississippi as trustee. The trust agreement authorized the issuance of certificates of participation in the principal amount of $2,200,000. The proceeds are to be used for capital improvements within the school district.

The above projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The leases represent capital leases under which ownership of the projects will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

It is not anticipated the projects will have sufficient value to satisfy the certificates in the event the school district defaults under the leases; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the Codification *of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by these trust agreements were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by these trust agreements are part of the school district's financial statements, thereby eliminating the effects of the lease agreements for financial reporting purposes.

(10)Litigation

There are two matters of pending litigation. A student was injured on school property and the family has filed a lawsuit. Insurance is expected to cover this issue. A second student fell from a pickup truck on campus. The district is not expected to have a loss in this matter.

A student got into a physical altercation with another student causing minimal medical damages to the student. The injured student has hired an attorney and filed notice with the District alleging negligence on the part of the District for lack of supervision. No potential loss is expected.

Three students were in a private automobile traveling to football practice and a collision occurred. Two students have engaged attorneys requesting damages from the District.

Schedule 1

Itawamba County School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2007

	Original	Final	Actual (GAAP Basis)	Variances Original to Final	Variances Final to Actual
Revenue					
Local Sources	$ 5,021,349	4,835,679	4,807,553	(185,670)	(28,126)
State Sources	16,081,067	16,715,980	16,715,980	634,913	-
Federal Sources	97,000	97,207	144,864	207	47,657
Total Revenues	21,199,416	21,648,866	21,668,397	449,450	19,531
Expenditures					
Instruction	13,564,093	13,561,872	13,574,322	2,221	(12,450)
Support Services	6,380,962	6,254,447	6,303,478	126,515	(49,031)
Facilities Acquisition and Construction	125,000	42,013	38,204	82,987	3,809
Debt Service:					
Principal	440,000	380,000	380,000	60,000	-
Interest	153,340	154,234	154,234	(894)	-
Total Expenditures	20,663,395	20,392,566	20,450,238	270,829	(57,672)
Excess (Deficiency) of Revenues over Expenditures	536,021	1,256,300	1,218,159	720,279	(38,141)
Other Financing Sources (Uses)					
Sale of Capital Assets		285	285	285	
Operating Transfers In	1,889,300	1,996,206	29,928	106,906	(1,966,278)
Operating Transfers Out	(2,409,936)	(3,246,306)	(1,280,028)	(836,370)	1,966,278
Other Sources		8,888		8,888	
Total Other Financing Sources (Uses)	(520,636)	(1,240,927)	(1,249,815)	(720,291)	-
Net Change in Fund Balances	15,385	15,373	(31,656)	(12)	(47,029)
Fund Balances					
July 1, 2006	3,087,284	3,087,284	3,257,704	170,420	170,420
Prior Period Adjustment		11,888	(1,746)	11,888	(13,634)
July 1, 2006, as restated	3,087,284	3,099,172	3,255,958	182,308	156,786
June 30, 2007	$ 3,102,669	3,114,545	3,224,302	182,296	109,757

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

ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

(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.

ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed through the Mississippi Department of Education		
Non-Cash Assistance:		
Food Donation	10.550	$ 95,294
Child Nutrition Cluster:		
School Breakfast Program	10.553	355,659
National School Lunch Program	10.555	777,606
Total Nutrition Cluster		1,133,265
Total Passed-through Mississippi Department of Education		1,228,559
Total U.S. Department of Agriculture		1,228,559
Federal Communications Commission		
Passed-through the Universal Sedrvice Administrative Company		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	47,658
Total Federal Communications Commission		47,658
U.S. Department of Education		
Passed-through Mississippi Department of Rehabilitation:		
Special Education Cluster		
Special Education - Grants to States	84.027	1,017,514
Special Education - Preschool Grants	84.173	47,455
Total Special Education Cluster		1,064,969
Title I grants to local education agencies	84.010	667,331
Career and Technical Education - Basic Grants to States	84.048	43,574
Safe and Drug-Free Schools and Communities - State Grants	84.186	24,704
Innovative Programs State Grants	84.298	5,932
Education Technology State Grants	84.318	9,085
Improving Teacher Qualtiy - State Grants	84.367	202,032
Total Passed Through Mississippi Department of Education		2,017,627
Total Passed U.S. Department of Education		2,017,627
Total for All Federal Awards		$ 3,293,844

Notes to Schedule

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

ITAWAMBA COUNTY SCHOOL DISTRICT **Schedule 2**

SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES-GOVERNMENTAL FUNDS

June 30, 2007

Expenditures	Total	Instruction and Other Student Instructional Costs	General Administration	School Administration	Other
Salaries and fringe benefits	$ 20,563,459	16,366,991	516,924	1,418,088	2,261,456
Other	6,920,193	1,885,004	160,801	111,766	4,762,622
Total	$ 27,483,652	18,251,995	677,725	1,529,854	7,024,078
Total number of students*	3,528				
Cost per student	$ 7,790	5,173	192	434	1,991

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

Instruction and Other Student Instructional Expenditures – included the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (All the 1000, 2100, and 2200 functional codes).

General Administration – includes expenditures for the following functions: Support Services – General Administration (2300s): and Support Services – Business (2500s).

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

*includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

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INDEPENDENT AUDITORS' 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
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2007, which collectively comprise the Itawamba County School District's basic financial statements and have issued our report thereon dated February 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purposed 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 a certain deficiency in the internal control over financial reporting that we consider to be significant deficiency.

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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 affect 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 that inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Cost as Findings 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a 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 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, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Itawamba County 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matters that we have reported to management of the school district in a separate letter dated February 26, 2009, 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.

Brawner, Vanstory & Co. P.A.

February 26, 2009
Booneville, Mississippi

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INDEPENDENT AUDITORS' 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
Itawamba County School District

Compliance

We have audited the compliance of the Itawamba County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Itawamba County School District's major federal programs are identified in the summary of auditors' 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 Itawamba County School District's compliance with those requirements.

In our opinion, Itawamba County School District complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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Internal Control Over Compliance

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

Brawner, Van-Stacy & Co. P.A.

February 26, 2009
Booneville, Mississippi

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2007, which collectively comprise the Itawamba County School District's basic financial statements, and have issued our report thereon dated February 26, 2009. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and 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 $3,601 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulation. Our finding and recommendation and your response are as follows:

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Finding:

The District did not obtain required quotes for the work to be performed on the girls' softball complex.

Recommendation:

We recommend the School District follow purchasing laws and obtain required quotes.

Your response:

All quotes will be obtained in the future as required.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding 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.

Brawner, Vanstery & Co. P.A.

February 26, 2009
Booneville, Mississippi

ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section 1: Summary of Auditors' Results

Financial Statements:

1.	Type of auditors' report issued on the financial statements:	Unqualified
2.	Material noncompliance relating to the financial statements?	No
3.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes

Federal Awards:

4.	Type of auditors' report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
6.	Any audit findings reported as required by Section ___.510(a) of OMB Circular A-133?	No
7.	Federal programs identified as major programs:	

Cluster: Child Nutrition

CFDA #10.553
CDFA #10.555

ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section 1: Summary of Auditors' Results (Continued)

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

Section 2: Financial Statement Findings

Significant Deficiency Internal Controls

Finding 2007-1

Condition: Internal controls were not in place to prevent or detect errors in the accounting system.

1. The payroll bank account was not reconciled.
2. An employment contract was incorrectly calculated for one employee resulting in an overpayment.
3. Activity Fund receipts were not well documented. All receipts for entrance into games did not have beginning and ending numbers so that computations could be made to determine if the correct amount was collected.

Criteria: The District is responsible for establishing effective internal controls surrounding the above activities that will prevent or detect errors.

Effect: Failure to have these controls in place could result in loss of revenues and assets.

Recommendations:

All bank accounts should be reconciled monthly.
Employment contracts should be calculated using the proper information.
People in charge of gate receipts should be instructed as to the required information to include on the gate receipts.

Auditee Response:

1.The payroll bank account was not reconciled due to unforeseen problems with new software implementation. Even though accounts were not completely reconciled, all cleared payroll checks were reviewed for accuracy and an outstanding list was always promptly updated and maintained. Currently, the payroll bank accounts is reconciled timely.

2. Presently, steps have been implemented to double check employment contracts for accuracy before being issued.

3. Steps have been taken to make sure all activity receipts are properly accounted for and documented.

Section 3: Federal Award Findings and Question Costs

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