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**North Bolivar School District
Audited Financial Statements
June 30, 2007**

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

**North Bolivar School District
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FINANCIAL AUDIT REPORT

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

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

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY SUPPLEMENTAL INFORMATION**

Superintendent and School Board
North Bolivar School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Bolivar School District as of and for the year ended June 30, 2007, which collectively comprise the North Bolivar School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Bolivar School District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 26, 2007 on my consideration of the North Bolivar School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 8 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 44 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



J.E. Fortenberry, III, P.C.
November 26, 2007

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NORTH BOLIVAR SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$169,061, which represents a 18% increase from fiscal year 2006.
- General revenues account for \$5,712,894 or 71%. This amount was less than the general revenues for the year 2006, which consisted of \$6,720,136, or 75% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,340,313, or 29% of total revenues compared to \$2,255,584 in 2006.
- The district had \$7,884,146 in expenses, amount that decreased when compared with the \$9,099,454 in expenses for the prior year; only \$2,340,313 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$5,712,894 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,064,481 in revenues and \$4,937,167 in expenditures. In 2006 the General Fund had \$5,012,933 in revenues and \$5,078,060 in expenditures. The General Fund's fund balance increased by \$17,147 due primarily to the district was no longer under conservatorship. Therefore the actual expenditures were less than budgeted.
- Capital assets, net of accumulated depreciation, decreased \$51,517. The capital assets were adjusted for \$44,878. The net decrease was \$96,395.
- Long-term debt decreased by \$169,193.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 17 and 18 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 22 and 26, 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 20 and 24 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 Statements of Fiduciary Assets and Liabilities on page 27.

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 28-43 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 44 - 52 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 54 and 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

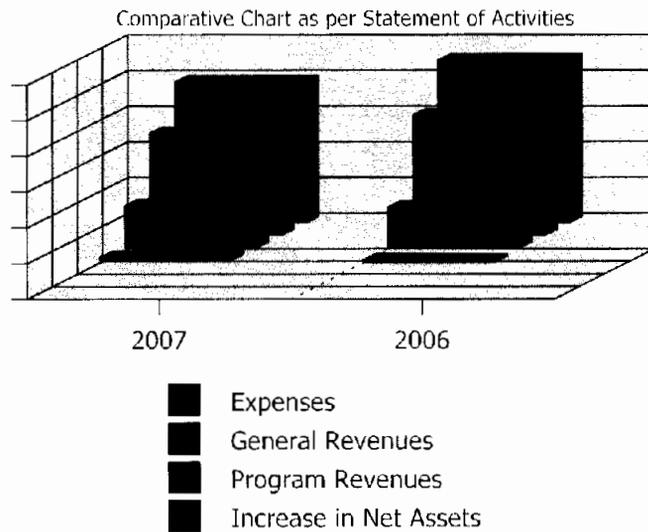
Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$1,084,254 as of June 30, 2007.

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

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

	2007	2006	Percentage Change
Assets			
Current assets	\$ 1,903,879	2,303,628	-17%
Capital assets, net	1,243,373	1,339,768	-7%
Total assets	3,147,252	3,643,396	-14%
Liabilities			
Current liabilities	47,514	498,648	-90%
Long-term liabilities	2,015,484	2,184,677	-8%
Total liabilities	2,062,998	2,683,325	-23%
Net Assets			
Invested in capital assets, net of related debt	(271,627)	(270,232)	1%
Restricted	1,038,792	1,002,295	4%
Unrestricted	317,089	228,008	39%
Total Net Assets	\$ 1,084,254	960,071	13%

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$8,053,207. The total cost of all programs and services was \$7,884,146. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007.

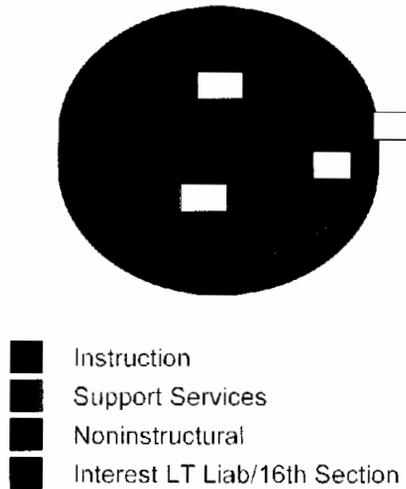


	2007	2006	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 57,839	57,909	-0.12%
Operating Grants and Contributions	2,242,850	2,158,046	4%
Capital Grants and Contributions	39,624	39,629	-0.01%
Total Program Revenues	2,340,313	2,255,584	4%
General Revenues			
Property Taxes	844,856	830,837	2%
Unrestricted Grants and Contributions	4,658,641	5,658,263	-18%
Unrestricted Investment Earnings	10,369	7,543	37%
Sixteenth Section Sources	139,409	130,034	7%
Other	59,619	93,459	-36%
Total General Revenues	5,712,894	6,720,136	-15%
Total revenues	8,053,207	8,975,720	-10%
Expenses			
Instruction	4,224,810	4,249,824	-1%
Support services	2,926,723	4,000,307	-27%
Non-instructional	629,829	732,247	-14%
Interest on long-term liabilities	86,830	97,760	-11%
Sixteenth section	15,954	19,316	-17%
Total expenses	7,884,146	9,099,454	-13%
Increase (Decrease) in net assets	169,061	(123,734)	-237%
Net Assets, July 1	960,071	1,083,805	-11%
Prior Period Adjustment	(44,878)	-	
Net Assets, Restated	915,193	1,083,805	-16%
Net Assets, June 30	\$ 1,084,254	960,071	13%

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

			2007	2006
	2007	2006	Net (Expense)	Net (Expense)
	Expenses	Expenses	Revenue	Revenue
Instruction	\$ 4,224,810	4,249,824	(2,868,550)	(3,033,890)
Support Services	2,926,723	4,000,307	(2,446,585)	(3,450,763)
Non-Instructional	629,829	732,247	(125,914)	(242,141)
Sixteenth Section	15,954	19,316	(15,954)	(19,316)
Interest on Long-Term Liabilities	86,830	97,760	(86,830)	(97,760)
	\$ 7,884,146	9,099,454	(5,543,833)	(6,843,870)

Expenses as per Statement of Activities



- Net cost of governmental activities \$(5,543,833), was financed by general revenue, which is made up of primarily property taxes \$844,856 and state revenue \$4,435,465.
- Federal revenues accounted for \$223,176 of funding.
- Investment earnings accounted for \$10,369 of funding.

FINANCIAL ANALYSIS OF THE DISTRICTS FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,886,217, a increase of \$49,445. \$1,854,769 or 98.33% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$31,448 or 1.67% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$17,147. The fund balance of Other Governmental

Funds showed a decrease of \$129,732. The fund balance for the Sixteenth Section Interest Fund showed an increase in fund balance of \$123,404.

BUDGETARY HIGHLIGHTS

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

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

Budget amounts for revenue from state sources were reduced during the year because of disbursements made by the State of Mississippi. Expenditures were decreased by the District in salary, supplies, and services in order to eliminate a deficit balance on the District’s Statement of Net Assets at the beginning of the year.

A schedule showing the original and final budget amounts compared to the District’s actual financial activity for the General Fund, and each major Special Revenue Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District’s total capital assets were \$2,418,656, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$46,717 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$1,175,283 and total depreciation expense for the year was \$51,517, resulting in total net assets of \$1,243,373.

	Capital Assets, Net of Depreciation		Percentage
	2007	2006	Change
Land	\$ 37,691	37,691	0%
Buildings	1,014,577	1,039,323	-2%
Mobile equipment	185,069	251,631	-26%
Furniture and equipment	6,036	11,123	-46%
	\$ 1,243,373	1,339,768	-7%

Additional information of the District’s capital assets can be found in Note 4 on page 38 of this report.

Debt Administration. At June 30, 2007, the District had \$0 in general obligation bonds outstanding and \$2,015,484 in other long-term debt outstanding, of which \$172,271 is due within one year.

	2007	2006	Percentage Change
Limited obligation bonds payable	\$ 1,515,000	1,610,000	-6%
Three Mill notes payable	362,000	414,000	-13%
Other loans payable	94,917	116,008	-18%
Compensated absences	43,567	44,669	-2%
	\$ 2,015,484	2,184,677	-8%

The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 39 of this report.

CURRENT ISSUES

The North Bolivar School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years and have worked to maintain a low tax millage.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Bolivar School District, P.O. Box 28, Shelby, MS 38774.

FINANCIAL STATEMENTS

NORTH BOLIVAR SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities
ASSETS	
<i>Cash and cash equivalents</i>	\$ 1,519,129
<i>Investments</i>	54,475
<i>Due from other governments</i>	317,852
<i>Inventories and prepaid items</i>	7,549
<i>Restricted assets</i>	4,874
<i>Capital assets, non-depreciable</i>	
<i>Land</i>	37,691
<i>Capital assets, net of accumulated depreciation</i>	
<i>Buildings</i>	1,014,577
<i>Mobile equipment</i>	185,069
<i>Furniture and equipment</i>	6,036
Total Assets	<u>3,147,252</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	17,662
<i>Interest payable on long-term liabilities</i>	29,852
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	95,000
<i>Non-capital related liabilities</i>	77,271
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	1,420,000
<i>Non-capital related liabilities</i>	423,213
Total Liabilities	<u>2,062,998</u>
NET ASSETS	
<i>Invested in Capital Assets, Net of Related Debt</i>	(271,627)
Restricted For:	
<i>School - based activities</i>	865,848
<i>Debt service</i>	149,045
<i>Unemployment benefits</i>	18,681
<i>Forestry improvements</i>	110
<i>Sixteenth section</i>	
<i>Expendable</i>	234
<i>Nonexpendable</i>	4,874
<i>Unrestricted</i>	317,089
Total Net Assets	<u>\$ 1,084,254</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities:					
<i>Instruction</i>	4,224,810	47,258	1,269,378	39,624	(2,868,550)
<i>Support services</i>	2,926,723	--	480,138	--	(2,446,585)
<i>Noninstructional</i>	629,829	10,581	493,334	--	(125,914)
<i>Sixteenth section</i>	15,954	--	--	--	(15,954)
<i>Interest on long-term liabilities</i>	86,830	--	--	--	(86,830)
Total Primary Government	<u>\$ 7,884,146</u>	<u>\$ 57,839</u>	<u>\$ 2,242,850</u>	<u>\$ 39,624</u>	<u>(5,543,833)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					815,936
<i>Debt purpose levies</i>					28,920
Unrestricted grants and contributions:					
<i>State</i>					4,435,465
<i>Federal</i>					223,176
<i>Unrestricted investment earnings</i>					10,369
<i>Sixteenth section sources</i>					139,409
<i>Other</i>					59,619
Total general revenues					<u>5,712,894</u>
Change in Net Assets					169,061
Net Assets - Beginning					960,071
Prior Period Adjustment					(44,878)
Net Assets - Restated					915,193
Net Assets - Ending					<u>\$ 1,084,254</u>

The accompanying notes are an integral part of this statement.

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NORTH BOLIVAR SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Summer Food Service	E2T2 Grant Fund
ASSETS			
<i>Cash and cash equivalents</i>	\$ 695,449	\$ 3,754	\$ --
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	84,583	14,396	15,667
<i>Due from other funds</i>	80,879	--	--
<i>Inventories and prepaid items</i>	--	--	--
Total Assets	\$ 860,911	\$ 18,150	\$ 15,667
LIABILITIES AND FUND BALANCE			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 11,359	\$ --	\$ 120
<i>Due to other funds</i>	--	13,974	13,029
Total Liabilities	11,359	13,974	13,149
Fund balances:			
Reserved For:			
<i>Inventory</i>	--	--	--
<i>Unemployment</i>	--	--	--
<i>Forestry</i>	--	--	--
<i>Permanent funds</i>	--	--	--
Unreserved, undesignated, reported in:			
<i>General fund</i>	849,552	--	--
<i>Special Revenue funds</i>	--	4,176	2,518
<i>Debt Service funds</i>	--	--	--
Total Fund Balances	849,552	4,176	2,518
Total Liabilities and Fund Balances	\$ 860,911	\$ 18,150	\$ 15,667

21st Century Learning Center	Sixteenth Section Interest Funds	Families First Resources Ctr.	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 487,850	\$ --	\$ 336,950	\$ 1,524,003
--	--	--	54,475	54,475
36,594	46,146	12,376	108,090	317,852
--	--	--	--	80,879
--	--	--	7,549	7,549
<u>\$ 36,594</u>	<u>\$ 533,996</u>	<u>\$ 12,376</u>	<u>\$ 507,064</u>	<u>\$ 1,984,758</u>
\$ 1,896	\$ --	\$ 546	\$ 3,741	\$ 17,662
30,931	--	11,830	11,115	80,879
<u>32,827</u>	<u>--</u>	<u>12,376</u>	<u>14,856</u>	<u>98,541</u>
--	--	--	7,549	7,549
--	--	--	18,681	18,681
--	--	--	110	110
--	--	--	5,108	5,108
--	--	--	--	849,552
3,767	533,996	--	313,842	858,299
--	--	--	146,918	146,918
<u>3,767</u>	<u>533,996</u>	<u>--</u>	<u>492,208</u>	<u>1,886,217</u>
<u>\$ 36,594</u>	<u>\$ 533,996</u>	<u>\$ 12,376</u>	<u>\$ 507,064</u>	<u>\$ 1,984,758</u>

NORTH BOLIVAR SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007*

Total fund balances - governmental funds balance sheet	\$ 1,886,217
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,243,373
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,515,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(29,852)
Payables for notes which are not due in the current period are not reported in the funds.	(362,000)
Payables for compensated absences which not due in current period are not reported in the funds.	(43,567)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	<u>(94,917)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 1,084,254</u>

The accompanying notes are an integral part of this statement.

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NORTH BOLIVAR SCHOOL DISTRICT

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

	General Fund	Summer Food Service	E2T2 Grant Fund
Revenue:			
Local sources	\$ 927,250	\$ 17	\$ --
State sources	4,137,231	--	--
Federal sources	--	14,397	170,655
Sixteenth section sources	--	--	--
Total revenues	<u>5,064,481</u>	<u>14,414</u>	<u>170,655</u>
Expenditures:			
Instruction	2,705,927	--	76,467
Support services	2,094,293	1,028	91,202
Noninstructional services	97,269	12,963	--
Sixteenth section	--	--	--
Facilities acquisition and construction	18,585	--	--
Debt service:			
Principal	21,093	--	--
Interest	--	--	--
Total expenditures	<u>4,937,167</u>	<u>13,991</u>	<u>167,669</u>
Excess (deficiency) of revenues (over) expenditures	127,314	423	2,986
Other financing sources (uses):			
Operating transfers in	105,101	--	--
Operating transfers out	(215,268)	--	--
Total other financing sources (uses)	<u>(110,167)</u>	<u>--</u>	<u>--</u>
Net change in fund balance	17,147	423	2,986
Fund Balances:			
July 1, 2006	832,405	3,753	(468)
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2007	<u>\$ 849,552</u>	<u>\$ 4,176</u>	<u>\$ 2,518</u>

The accompanying notes are an integral part of this statement.

21st Century Learning Center	Sixteenth Section Interest Funds	Families First Resources Ctr.	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 45,416	\$ 972,683
--	--	--	508,124	4,645,355
269,649	--	116,329	1,724,730	2,295,760
--	139,358	--	51	139,409
<u>269,649</u>	<u>139,358</u>	<u>116,329</u>	<u>2,278,321</u>	<u>8,053,207</u>
74,491	--	109,697	1,203,581	4,170,163
138,277	--	9,341	582,279	2,916,420
955	--	--	513,303	624,490
--	15,954	--	--	15,954
--	--	--	--	18,585
--	--	--	146,998	168,091
--	--	--	90,059	90,059
<u>213,723</u>	<u>15,954</u>	<u>119,038</u>	<u>2,536,220</u>	<u>8,003,762</u>
55,926	123,404	(2,709)	(257,899)	49,445
--	--	--	158,037	263,138
(18,000)	--	--	(29,870)	(263,138)
<u>(18,000)</u>	<u>--</u>	<u>--</u>	<u>128,167</u>	<u>--</u>
37,926	123,404	(2,709)	(129,732)	49,445
(34,159)	410,592	2,709	622,127	1,836,959
--	--	--	(187)	(187)
<u>\$ 3,767</u>	<u>\$ 533,996</u>	<u>\$ --</u>	<u>\$ 492,208</u>	<u>\$ 1,886,217</u>

NORTH BOLIVAR SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 49,445
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(51,517)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	95,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	21,091
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	52,000
(Increase) decrease in accrued interest from beginning of period to end of period	2,127
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA	(187)
Compensated absences reported as amount earned in SOA but as the amount paid in the funds.	<u>1,102</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 169,061</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 332,454
Total Assets	<u>\$ 332,454</u>
LIABILITIES	
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 332,360
<i>Due to student clubs</i>	94
Total Liabilities	<u>\$ 332,454</u>

The accompanying notes are an integral part of this statement.

North Bolivar School District
Notes to the Financial Statements
June 30, 2007

North Bolivar School District

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 described below.

A. Financial Reporting Entity.

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

B. Basis of Presentation.

The school district's basic financial 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 reporting government as a whole. They include all the funds of the reporting entity except for the fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program and grants and contributions that are restricted to meeting the

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds 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 so 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 - The General Fund is the school district's primary operating fund. It is used to account for all financial resources of the school district, except those required to be accounted for in another fund.

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

Summer Food Service - This fund is used to account for the food distribution under the summer food service program.

E2T2 Grant Fund - This fund is used to account for the financial resources received on a formula basis to improve student academic achievement through the use of technology in school.

21st Century Learning Center Fund - This fund is used to account for the financial resources used to provide academic enrichment opportunities for children who attend high-poverty and low-performing schools.

Sixteenth Section Interest Fund- This fund accounts for the financial resources used for and by sixteenth section interest.

Families First Resources Center - This fund accounts for the financial resources received and available for use in the care of children in their own homes.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The school district deposits excess funds in 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 account 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 fund, as permitted by Section 29-3-113 Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the type described in Sections 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 of greater than three months when acquired. Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated inventories 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).

North Bolivar School District

Notes to Financial Statements For the Year Ended June 30, 2007

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

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

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 assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following scale details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated 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 leases	*	*

(*) The threshold amounts 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.

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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 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.

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 borrowing that is 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 further split between 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 all reserves used by the district:

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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 unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

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

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues

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

O. Compensated Absences.

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

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

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

payable has matured, for example, an employee retires.

(2) Cash and Cash Equivalents, and Investments.

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

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,524,003 and \$332,454 respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents \$1,519,129 and restricted assets \$4,874. The restricted assets

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

represent the investment and cash balance of the Sixteenth Section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the districts's programs. The bank balance was \$2,329,600.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover deposits or collateral securities tat 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 \$2,329,600 was exposed to custodial credit risk.

Investments.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Money Market Funds	\$ 54,475	A

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments, none of underlying securities are held by the investment's counterparty, not in the name of the district. As of June 30, 2007, the district did not have any investments to which this would apply.

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

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
US Treasury Bills	<u>\$ 54,475</u>	100%

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Governmental Funds:	<u>Due From</u>	<u>Due To</u>
General Fund	\$80,879	\$0
Major Funds:		
Summer Food Service	0	13,974
E2T2 Grant Fund	0	13,029
Twenty First Century Learning Ctr.	0	30,931
Families First Resources Ctr.	0	11,830
Other Governmental Funds	<u>0</u>	<u>11,115</u>
Total Funds	<u>\$80,879</u>	<u>\$ 80,879</u>

The purpose of the Due From/To other funds balances was to provide funds for operating purposes. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

Governmental Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$105,101	\$215,268
Major Funds:		
Twenty First Century Learning Ctr.	0	18,000
Other Governmental Funds	<u>158,037</u>	<u>29,870</u>
Total Funds	<u>\$263,138</u>	<u>\$263,138</u>

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

(4) Capital Assets.

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

North Bolivar School District

**Notes to Financial Statements
For the Year Ended June 30, 2007**

	Balance 7-1-2006	Addition	Retirement	Adjustments	Balance 6-30-2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 37,691				37,691
Construction in Progress	0				0
Total non-depreciable capital assets	37,691	0	0	0	37,691
<u>Depreciable capital assets:</u>					
Buildings	1,669,152				1,669,152
Mobile equipment	577,143			(48,512)	528,631
Furniture and equipment	181,387			1,795	183,182
Total depreciable capital assets	2,427,682	0	0	(46,717)	2,380,965
<u>Less accumulated depreciation for :</u>					
Buildings	629,829	24,746			654,575
Mobile equipment	325,512	21,904		(3,854)	343,562
Furniture and equipment	170,264	4,867		2,015	177,146
Total accumulated depreciation	1,125,605	51,517	0	(1,839)	1,175,283
Total depreciable capital assets, net	1,302,077	(51,517)	0	(44,878)	1,205,682
Governmental activities capital assets, net	1,339,768	(51,517)	0	(44,878)	1,243,373

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 36,062
Support Services	10,303
Non-Instructional	<u>5,152</u>
Total depreciation expense	\$ <u>51,517</u>

Adjustments were made to correct data input errors discovered when the school changed their software during the fiscal year.

(5) Long-term Liabilities.

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

	Balance				Amounts due	
	7-01-2006	Additions	Reductions	Adjustments	Balance 6-30-2007	within one year
A. Limited obligation bonds payable	\$ 1,610,000	0	95,000	0	1,515,000	95,000
B. Three mill notes payable	414,000	0	52,000	0	362,000	54,000
C. Other loans payable	116,008	0	21,091	0	94,917	21,093
D. Compensated absences payable	44,669	<u>4,470</u>	<u>5,572</u>	<u>0</u>	<u>43,567</u>	<u>2,178</u>

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

	Balance				Amounts due	
	7-01-2006	Additions	Reductions	Adjustments	Balance	within one
					6-30-2007	year
Total	\$ <u>2,184,677</u>	<u>4,470</u>	<u>173,663</u>	<u>0</u>	<u>2,015,484</u>	<u>172,271</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 Bonds	variable	6/24/98	2/01/18	<u>\$2,040,000</u>	<u>\$1,515,000</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	\$	95,000	69,053	164,053
2009		105,000	64,553	169,553
2010		105,000	59,775	164,775
2011		115,000	54,715	169,715
2012		120,000	49,250	169,250
2013-2017		685,000	152,429	837,429
2018-2019		<u>290,000</u>	<u>9,228</u>	<u>299,228</u>
Total		<u>\$1,515,000</u>	<u>\$459,003</u>	<u>\$1,974,003</u>

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 the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP retirement fund.

B. Three Mill-Ten Year Notes Payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three Mill Ten Yr. Note	3.84%	04/15/03	05/01/13	<u>\$ 560,000</u>	<u>\$ 362,000</u>

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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	\$ 54,000	13,901	67,901
2009	57,000	11,827	68,827
2010	60,000	9,638	69,638
2011	61,000	7,334	68,334
2012	63,000	4,992	67,992
2013-2014	<u>67,000</u>	<u>2,573</u>	<u>69,573</u>
Total	<u>\$362,000</u>	<u>\$50,265</u>	<u>\$412,265</u>

This debt will be retired from the three mill debt service fund.

C. Other Loans Payable

The school districts has issued debt instruments granted under the authority of Section 37-59-101 of the Mississippi State Code.

Debt currently outstanding is 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>
EPA Loan	N/A	05/01/98	05/01/13	<u>\$379,668</u>	<u>\$ 94,917</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>
2008	\$21,093
2009	21,093
2010	21,093
2011	21,093
2012	<u>10,545</u>
Total	<u>\$ 94,917</u>

This debt will be retired from the general fund.

D. Compensated Absences.

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 which employees' salaries were

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

paid.

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending 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 \$451,923, \$436,832, and \$329,750 respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending <u>June 30,</u>	<u>Amount</u>
2008	\$ 63,826
2009	63,826
2010	17,679
2011	<u>17,679</u>
Total	<u>\$163,010</u>

North Bolivar School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the 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 trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess up to the statutory amount 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) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To correct data input errors discovered when the school changed the software during the fiscal year.	\$ (44,878)
Total	\$ <u>(44,878)</u>

(10) Litigation.

The school is party to legal proceedings. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the school district, with respect to the proceedings.

REQUIRED SUPPLEMENTARY INFORMATION

North Bolivar School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 895,592	927,251	927,250	31,659	(1)
State sources	4,328,290	4,137,231	4,137,231	(191,059)	-
Total Revenues	<u>5,223,882</u>	<u>5,064,482</u>	<u>5,064,481</u>	<u>(159,400)</u>	<u>(1)</u>
Expenditures:					
Instruction	2,784,931	2,705,925	2,705,927	79,006	(2)
Support services	2,349,084	2,094,293	2,094,293	254,791	-
Noninstructional services	21,500	97,270	97,269	(75,770)	1
Facilities acquisition and construction	35,000	18,585	18,585	16,415	-
Debt service:					
Principal	21,093	21,093	21,093	-	-
Total Expenditures	<u>5,211,608</u>	<u>4,937,166</u>	<u>4,937,167</u>	<u>274,442</u>	<u>(1)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>12,274</u>	<u>127,316</u>	<u>127,314</u>	<u>115,042</u>	<u>(2)</u>
Other Financing Sources (Uses):					
Operating transfers in	180,989	105,101	105,101	(75,888)	-
Operating transfers out	(197,763)	(215,268)	(215,268)	(17,505)	-
Total Other Financing Sources (Uses)	<u>(16,774)</u>	<u>(110,167)</u>	<u>(110,167)</u>	<u>(93,393)</u>	<u>-</u>
Net Change in Fund Balances	<u>(4,500)</u>	<u>17,149</u>	<u>17,147</u>	<u>21,649</u>	<u>(2)</u>
Fund Balances:					
July 1, 2006	750,000	832,405	832,405	82,405	-
June 30, 2007	<u>\$ 745,500</u>	<u>849,554</u>	<u>849,552</u>	<u>104,054</u>	<u>(2)</u>

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

North Bolivar School District
 Budgetary Comparison Schedule
 Summer Food Service Fund
 For the Year Ended June 30, 2007

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	18	17	18	(1)
Federal sources	-	14,396	14,397	14,396	1
Total Revenues	-	14,414	14,414	14,414	-
Expenditures:					
Support services	-	1,028	1,028	(1,028)	-
Noninstructional services	-	12,963	12,963	(12,963)	-
Total Expenditures	-	13,991	13,991	(13,991)	-
Excess (Deficiency) of Revenues over Expenditures	-	423	423	423	-
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	423	423	423	-
Fund Balances:					
July 1, 2006	-	3,753	3,753	3,753	-
June 30, 2007	\$ -	4,176	4,176	4,176	-

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

North Bolivar School District
 Budgetary Comparison Schedule
 E2T2 Grant Fund
 For the Year Ended June 30, 2007

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 170,173	170,654	170,655	481	1
Total Revenues	<u>170,173</u>	<u>170,654</u>	<u>170,655</u>	<u>481</u>	<u>1</u>
Expenditures:					
Instruction	91,139	76,467	76,467	14,672	-
Support services	79,034	91,202	91,202	(12,168)	-
Debt service:					
Principal	-	-	-	-	-
Total Expenditures	<u>170,173</u>	<u>167,669</u>	<u>167,669</u>	<u>2,504</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>2,985</u>	<u>2,986</u>	<u>2,985</u>	<u>1</u>
Other Financing 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	<u>-</u>	<u>2,985</u>	<u>2,986</u>	<u>2,985</u>	<u>1</u>
Fund Balances:					
July 1, 2006	-	(468)	(468)	(468)	-
June 30, 2007	<u>\$ -</u>	<u>2,517</u>	<u>2,518</u>	<u>2,517</u>	<u>1</u>

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

North Bolivar School District
 Budgetary Comparison Schedule
 21st Century Learning Center Fund
 For the Year Ended June 30, 2007

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 12,063	269,649	269,649	257,586	-
Total Revenues	12,063	269,649	269,649	257,586	-
Expenditures:					
Instruction	12,063	74,490	74,491	(62,427)	(1)
Support services	-	138,277	138,277	(138,277)	-
Noninstructional services	-	956	955	(956)	1
Total Expenditures	12,063	213,723	213,723	(201,660)	-
Excess (Deficiency) of Revenues over Expenditures	-	55,926	55,926	55,926	-
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(18,000)	(18,000)	(18,000)	-
Total Other Financing Sources (Uses)	-	(18,000)	(18,000)	(18,000)	-
Net Change in Fund Balances	-	37,926	37,926	37,926	-
Fund Balances:					
July 1, 2006	-	(34,159)	(34,159)	(34,159)	-
June 30, 2007	\$ -	3,767	3,767	3,767	-

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

North Bolivar School District
 Budgetary Comparison Schedule
 Sixteenth Section Interest Funds
 For the Year Ended June 30, 2007

Exhibit 5

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 127,766	139,358	139,358	11,592	-
Total Revenues	<u>127,766</u>	<u>139,358</u>	<u>139,358</u>	<u>11,592</u>	<u>-</u>
Expenditures:					
Sixteenth section	17,543	15,955	15,954	1,588	1
Debt service:					
Principal	-	-	-	-	-
Total Expenditures	<u>17,543</u>	<u>15,955</u>	<u>15,954</u>	<u>1,588</u>	<u>1</u>
Excess (Deficiency) of Revenues over Expenditures	<u>110,223</u>	<u>123,403</u>	<u>123,404</u>	<u>13,180</u>	<u>1</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(93,569)	-	-	93,569	-
Total Other Financing Sources (Uses)	<u>(93,569)</u>	<u>-</u>	<u>-</u>	<u>93,569</u>	<u>-</u>
Net Change in Fund Balances	<u>16,654</u>	<u>123,403</u>	<u>123,404</u>	<u>106,749</u>	<u>1</u>
Fund Balances:					
July 1, 2006	408,227	410,593	410,592	2,366	(1)
June 30, 2007	<u>\$ 424,881</u>	<u>533,996</u>	<u>533,996</u>	<u>109,115</u>	<u>-</u>

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

North Bolivar School District
 Budgetary Comparison Schedule
 Families First Resources Center Fund
 For the Year Ended June 30, 2007

Exhibit 6

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	116,329	116,329	116,329	-
Total Revenues	-	116,329	116,329	116,329	-
Expenditures:					
Instruction	-	109,697	109,697	(109,697)	-
Support services	-	9,341	9,341	(9,341)	-
Debt service:					
Principal	-	-	-	-	-
Total Expenditures	-	119,038	119,038	(119,038)	-
Excess (Deficiency) of Revenues over Expenditures	-	(2,709)	(2,709)	(2,709)	-
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	(2,709)	(2,709)	(2,709)	-
Fund Balances:					
July 1, 2006	-	2,709	2,709	2,709	-
June 30, 2007	\$ -	-	-	-	-

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

North Bolivar School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

North Bolivar 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	\$24,094
Child Nutrition Cluster:		
School Breakfast Program	10.553	135,307
National School Lunch Program	10.555	319,536
Summer Food Service Program for Children	10.559	13,991
Total Child Nutrition cluster		<u>468,834</u>
Total passed-through the MDE		<u>492,928</u>
Direct Loan:		
Distance Learning and Telemedicine Loans and Grants	10.855	\$20,800
Total Direct Loan U.S. Department of Agriculture		<u>20,800</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>513,728</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	86,047
Total Federal Communication Commission		<u>86,047</u>
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	631,000
Vocational Education- Basic Grants to States	84.048	19,874
Safe and Drug-Free Schools and Communities - State Grants	84.186	10,382
Twenty-first century community learning centers	84.287	213,723
State Grants for Innovative Programs	84.298	1,545
Education Technology State Grants	84.318	167,669
Comprehensive School Reform Demonstration	84.332	51,000
Rural Education	84.358	30,528
Improving Teacher Quality State Grants	84.367	121,004
Special Education Cluster:		
Special Education - Grants to States	84.027	249,108
Special Education - Preschool Grants	84.173	14,507
Total Special Education Cluster		<u>263,615</u>
Total passed-through the MDE		<u>1,510,340</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,510,340</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through the Mississippi Department of Health and Human Services:		
Temporary Assistance for Needy Families	93.558	116,329
Total passed-through the MS Dept. Health and Human Services		<u>116,329</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>116,329</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Passed through the Mississippi Department of Education:		
Learn and Serve America - School and Community Based Program	94.004	10,000
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		<u>10,000</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$2,236,444</u>

Notes to Schedule

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

North Bolivar School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2007

	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 5,691,354	4,272,498	432,815	342,034	644,007
Other	2,312,408	910,447	172,296	9,585	1,220,080
Total	\$ <u>8,003,762</u>	<u>5,182,945</u>	<u>605,111</u>	<u>351,619</u>	<u>1,864,087</u>

Total number of students *	769
Cost per student	\$ 10,408
	6,740
	787
	457
	2,424

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 between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)
- General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)
- School Administration** - includes expenditures for the following functions: Support Services - School Administration (2400s)
- Other** - includes all expenditure functions not included in Instruction or Administration categories

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

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

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

Superintendent and School Board
North Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Bolivar School District as of and for the year ended June 30, 2007, and have issued my report thereon dated November 26, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, process, record, 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 school district's internal control.

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

My consideration of the 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 or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and

AICPA & MSCPA

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material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



J.E. Fortenberry, III, PC
November 26, 2007

Certified Public Accountant

J.E. FORTENBERRY III, PC
Certified Public Accountant

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

Superintendent and School Board
North Bolivar School District

Compliance

I have audited the compliance of the North Bolivar School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

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

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal 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 school district's internal control.

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

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



J.E. Fortenberry, III, PC
November 26, 2007

Certified Public Accountant

J.E. FORTENBERRY III, PC
Certified Public Accountant

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

Superintendent and School Board
North Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Bolivar School District as of and for the year ended June 30, 2007, which collectively comprise North Bolivar School District's basic financial statements and have issued my report thereon dated November 26, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States .

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$28,696 of classroom supply funds carried over from previous years.

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

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

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

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

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



J.E. Fortenberry, III, PC
November 26, 2007

Certified Public Accountant

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

North Bolivar School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section ____,510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA # 10.553
CFDA # 10.555
CFDA # 10.559
 - b. Title I Grants to Local Educational Agencies.
CFDA# 84.010
 - c. Twenty-First Century Community Learning Centers
CFDA# 84.287
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.
9. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____,315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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