



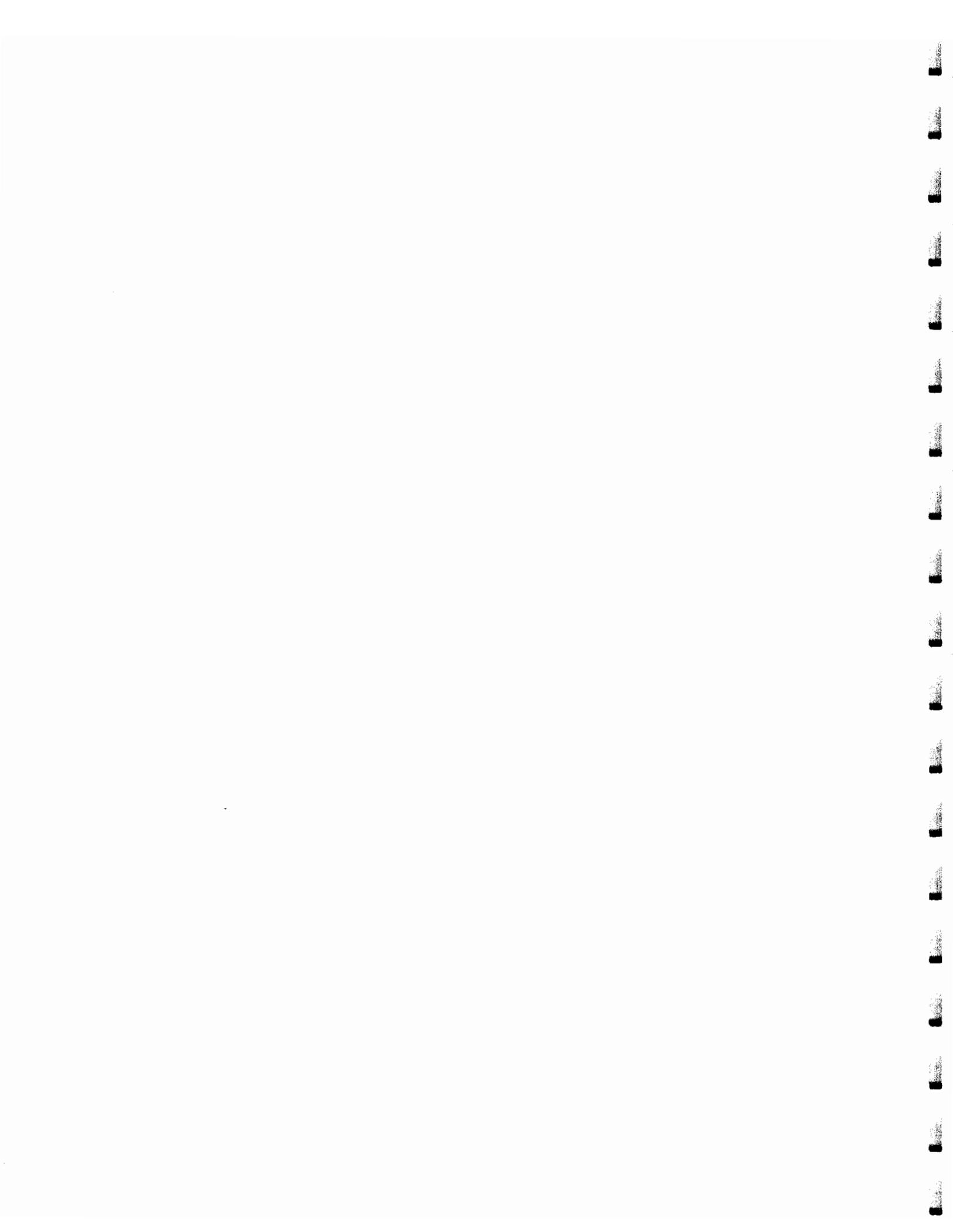
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NORTH PANOLA SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007



**NORTH PANOLA SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL AUDIT REPORT	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
FINANCIAL STATEMENTS	13
Statement of Net Assets	14
Statement of Activities	15
Balance Sheet – Governmental Funds.....	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds....	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Assets and Liabilities – Agency Funds	20
Notes to Financial Statements.....	21
REQUIRED SUPPLEMENTAL INFORMATION	34
Budgetary Comparison Schedule - General Fund	35
Notes to the Required Supplemental Information	36
SUPPLEMENTAL INFORMATION	37
Schedule of Expenditures of Federal Awards.....	38
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds.....	39
REPORTS ON COMPLIANCE AND INTERNAL CONTROL.....	41
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 <i>Government Auditing Standards</i>	43
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.....	45
Independent Auditor's Report on Compliance with State Laws and Regulations	47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	49
AUDITEE'S CORRECTIVE ACTION PLAN	53
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	55



NORTH PANOLA SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

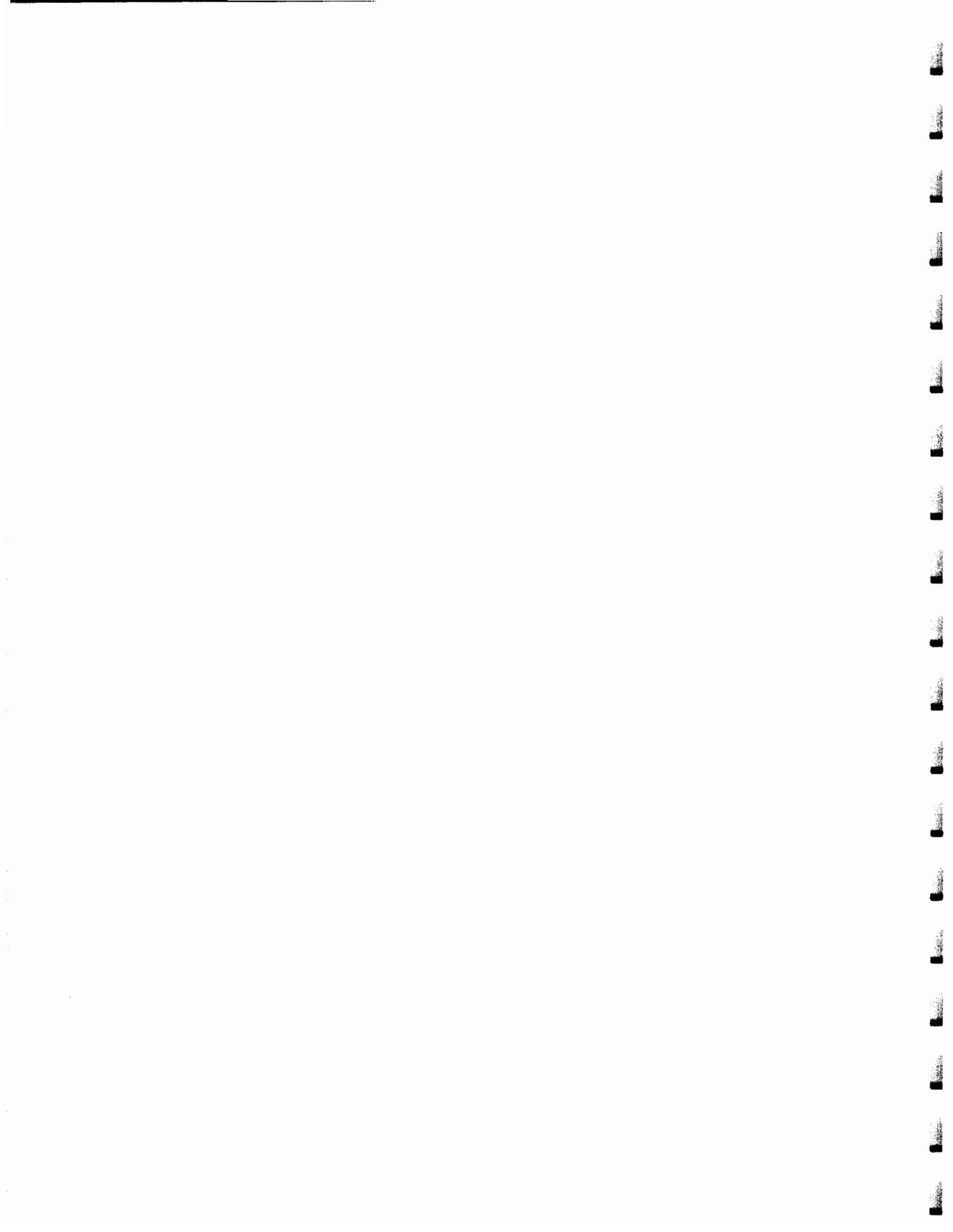
Superintendent and School Board
North Panola School District

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

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

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 North Panola 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*, we have also issued our report dated January 22, 2008, on our consideration of the North Panola 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 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 5 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 35 through 36 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

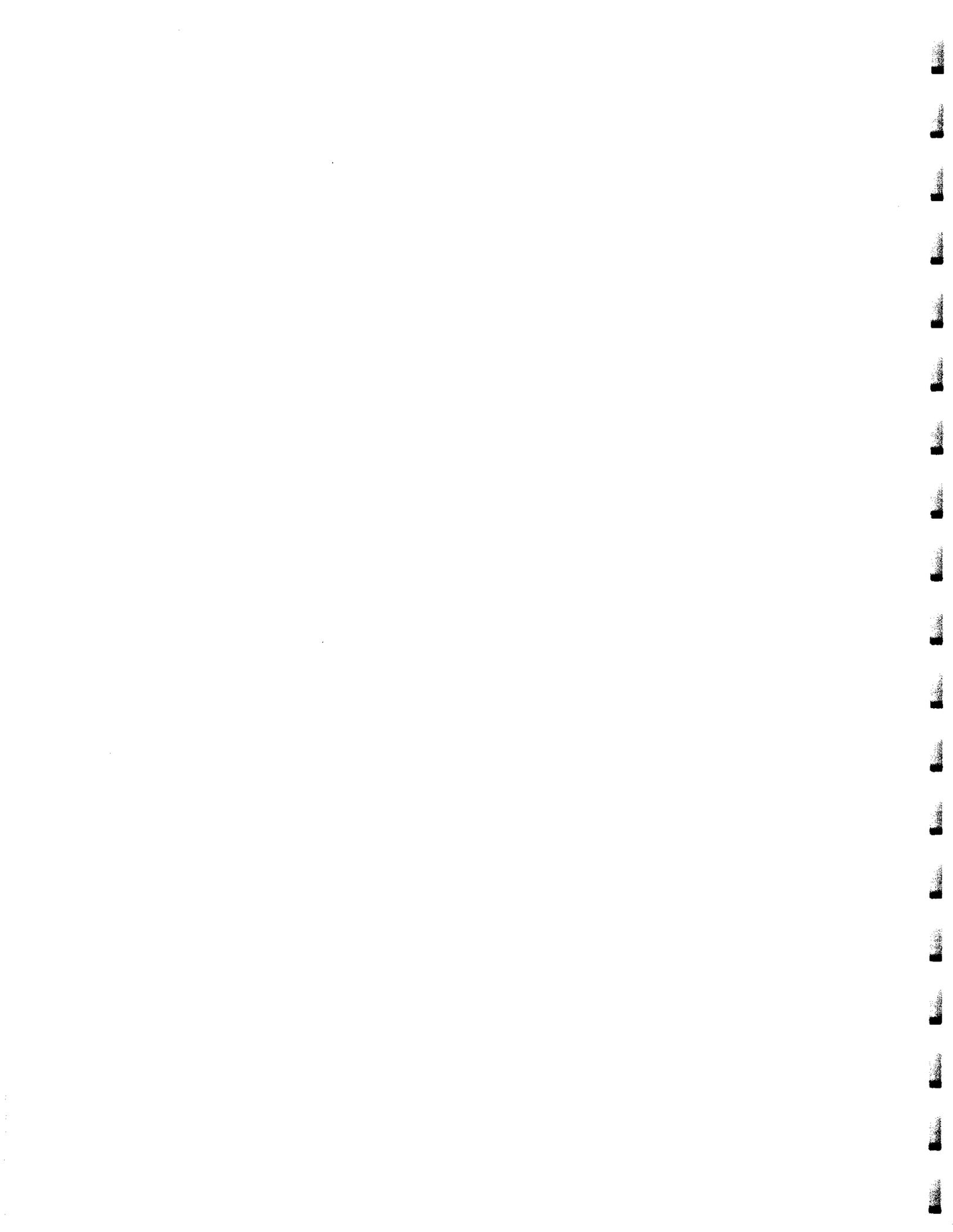
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Panola School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 the 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

January 22, 2008



NORTH PANOLA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2007

The discussion and analysis of North Panola 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.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$779,377 which represents a 14% increase from fiscal year 2006.
- General revenues account for \$11,815,434 in revenue, or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,137,874 or 26% of total revenues.
- The District had \$15,188,582 in expenses; only \$4,137,874 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$11,815,434 were more than adequate to provide for the balance of these expenses.
- Among major funds, the General Fund had \$10,846,960 in revenues and \$10,293,016 in expenditures. The General Fund's fund balance increased \$661,316 from the prior year. The increase in fund balance was the result of several factors. The district received more state revenues, as allocated through MAEP and other grants during fiscal year 2006.
- Capital assets, net of accumulated depreciation, decreased by \$27,956. The decrease in capital assets is mainly due to the deletion of items and depreciation of assets.
- Long-term debt decreased by \$385,346. This decrease is a result of regularly scheduled debt service payments.

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.

**NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2007**

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

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

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

The government-wide financial statements can be found on pages 14 – 15 of this report.

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

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

Because the focus of governmental funds is narrower 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 17 and 19, respectively.

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

The basic governmental fund financial statements can be found on pages 16 – 19 of this report.

NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2007

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 Net Assets on page 20.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 33 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the 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 for and major fund which is a Special Revenue fund. This required supplemental information can be found on page 34 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$6,259,326 as of June 30, 2007.

By far the largest portion of the District's net assets (64%) reflects its unrestricted fund balance which is primarily cash and investments.

The District's financial position is a product of several financial transactions including the net result of activities, the 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. Current assets increased by \$284,035 primarily due to an increase in cash and investments from tax proceeds.

**NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2007**

	<u>2007</u>	<u>2006</u>
Assets:		
Current assets	\$ 5,357,905	\$ 5,073,870
Non-current assets	29,995	37,053
Capital assets, net	4,805,240	4,833,196
Total assets	<u>10,193,140</u>	<u>9,944,119</u>
Liabilities:		
Current liabilities	\$ 582,660	\$ 719,470
Long-term liabilities	3,351,154	3,744,700
Total liabilities	<u>3,933,814</u>	<u>4,464,170</u>
Net assets:		
Invested in capital assets, net of related debt	1,122,558	743,972
Restricted	1,101,812	1,213,163
Unrestricted	4,034,956	3,522,814
Total net assets	<u>\$ 6,259,326</u>	<u>\$ 5,479,949</u>

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

- The principal retirement of \$385,346 in long term debt, the decrease of capital assets net of related debt by (\$27,956), and an increase in cash and investments of \$375,348.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2007 were \$15,953,308. The total cost of all programs and services was \$15,188,582. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006.

	<u>Change in Net Assets</u>		<u>Percentage</u>
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 176,113	\$ 158,342	11.2%
Operating grants and contributions	3,961,761	4,395,601	-9.9%
General revenues			
Property taxes	2,961,621	2,886,924	2.6%
Grants and contributions not restricted	8,598,085	7,819,718	10.0%
Other	255,728	86,946	194.1%
Total revenues	<u>\$ 15,953,308</u>	<u>\$ 15,347,531</u>	3.9%
Expenses:			
Instruction	\$ 8,316,442	\$ 8,107,139	2.6%
Support services	5,734,587	5,292,748	8.3%
Non-instructional	967,356	994,378	-2.7%
Interest on long-term liabilities	170,197	186,473	-8.7%
Total expenses	<u>15,188,582</u>	<u>14,580,738</u>	4.2%
Increase in net assets	<u>\$ 764,726</u>	<u>\$ 766,793</u>	-0.3%

**NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2007**

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

	2007		2006	
	Total	Net (Expense)	Total	Net (Expense)
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 8,316,442	\$ (5,231,200)	\$ 8,107,139	\$ (6,086,774)
Support services	5,734,587	(5,734,587)	5,292,748	(3,752,729)
Non-instructional	967,356	85,276	994,378	(819)
Interest on long-term liabilities	170,197	(170,197)	186,473	(186,473)
Total expenses	<u>\$ 15,188,582</u>	<u>\$ (11,050,708)</u>	<u>\$ 14,580,738</u>	<u>\$ (10,026,795)</u>

- In 2007, net cost of governmental activities (\$11,050,708), was financed by general revenue, which is made up primarily of property taxes of \$2,961,621 and state revenue of \$8,538,227. In 2006, property taxes were \$2,886,924 and state revenue \$7,684,295. Investment earnings accounted for \$170,134 of funding in 2007 and \$78,111 in 2006.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,230,215, an increase of \$429,122 due primarily to an increase in local, state and federal revenues. \$4,650,009 or 89% of the fund balance constitutes unreserved and undesignated fund balance which is available for spending. The remaining fund balance of \$580,206 or 11% 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 \$661,938, a result of an increase in local, state and federal revenues. The fund balance of Other Governmental Funds showed a decrease of \$232,816, due to the spending of old capital project funds.

BUDGETARY HIGHLIGHTS

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

- Budget amendments were made to increase expenditures for additional personnel and support services. Amendments were also made for new funds and carry-over funds in Federal Programs as well as grants awarded during the year.

**NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2007**

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total net capital assets were \$4,805,240, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$27,956 from the previous year. The decrease in capital assets is mainly due to the deletion of assets and depreciation of assets. Accumulated depreciation as of June 30, 2007 was \$5,924,027 and total depreciation expense for the year was \$236,773. Additional information on the District's capital assets can be found in Note 4 of this report.

Debt Administration. At June 30, 2007, the District had \$3,783,293 in general obligation bonds and other long-term debt outstanding, of which \$418,056 is due within one year. Debt service funds are adequate to cover the annual debt service for fiscal year 2008.

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment of the District will remain fairly close to current enrollment levels. However, should enrollment fluctuate considerably, the budget for the next fiscal year will be adjusted to take into account the impact of such fluctuation, both in terms of funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Panola School District, 470 Highway 51 North, Sardis, MS 38666.

NORTH PANOLA SCHOOL DISTRICT

FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2007

	<u>Primary Government</u> <u>Government</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,716,701
Investment	9,120
Due from other governments	613,152
Inventories and prepaid items	18,932
Bond issue cost	29,995
Capital assets, non-depreciable	
Land	139,509
Capital assets, net of accumulated depreciation	
Buildings	3,078,309
Building improvements	884,720
Improvements other than buildings	50,611
Mobile equipment	670,874
Furniture and equipment	(206,977)
Leased property under capital lease	188,194
	<u> </u>
Total assets	<u>\$ 10,193,140</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 75,587
Due to other governments	-
Deferred revenue	39,773
Other payables	12,330
Interest payable on long-term debt	36,914
Long-term liabilities (due within one year)	
Capital - related liabilities	418,056
Long-term liabilities (due beyond one year)	
Capital - related liabilities	3,264,626
Bond discount	(14,083)
Non-capital related liabilities	100,611
Total liabilities	<u>\$ 3,933,814</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,122,558
Restricted net assets	
Expendable:	
School based activities	533,373
Debt service	520,558
Unemployment benefits	47,881
Unrestricted	4,034,956
	<u> </u>
Total Net Assets	<u>\$ 6,259,326</u>

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

Statement of Activities
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Governmental Activities:					
Instruction	\$ 8,316,442	122,055	2,963,187	-	(5,231,200)
Support services	5,734,587	-	-	-	(5,734,587)
Noninstructional services	967,356	54,058	998,574	-	85,276
Interest and other expenses on long-term liabilities	170,197	-	-	-	(170,197)
Total governmental activities	\$ 15,188,582	176,113	3,961,761	-	(11,050,708)
General Revenues:					
Taxes:					
General purpose levies					2,719,145
Debt purpose levies					242,476
Unrestricted grants and contributions:					
State					8,538,227
Federal					59,858
Unrestricted investment earnings					170,134
Other					85,594
Total general revenues					11,815,434
Changes in Net Assets					764,726
Net assets - Beginning					5,479,949
Prior period adjustments					14,651
Net Assets - Restated					5,494,600
Net Assets - Ending					\$ 6,259,326

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

Balance Sheet – Governmental Funds
June 30, 2007

	Major Fund		Total Governmental Funds
	General Fund	Other Governmental Funds	
ASSETS			
Cash and cash equivalents	\$ 3,710,352	\$ 1,006,349	\$ 4,716,701
Investments	-	9,120	9,120
Due from other governments	138,870	474,282	613,152
Due from other funds	285,511	7,217	292,728
Inventories and prepaid items	-	18,932	18,932
Total assets	<u>\$ 4,134,733</u>	<u>\$ 1,515,900</u>	<u>\$ 5,650,633</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 36,153	\$ 39,434	\$ 75,587
Due to other funds	3,691	289,037	292,728
Deferred revenue	-	39,773	39,773
Other payables	-	12,330	12,330
Total liabilities	<u>39,844</u>	<u>380,574</u>	<u>420,418</u>
Fund balances:			
Reserved for:			
Inventory	-	18,932	18,932
Debt service funds	-	513,394	513,394
Unemployment benefits	-	47,881	47,881
Unreserved, undesignated, reported in:			
General fund	4,094,889	-	4,094,889
Special revenue funds	-	514,442	514,442
Capital project funds	-	40,677	40,677
Total fund balances	<u>4,094,889</u>	<u>1,135,326</u>	<u>5,230,215</u>
Total liabilities & fund balances	<u>\$ 4,134,733</u>	<u>\$ 1,515,900</u>	<u>\$ 5,650,633</u>

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

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

	<u>Amount</u>
Total Fund Balances - Government Funds	\$ 5,230,215
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,924,027.	4,805,240
2. Other long-term assets (bond issue costs) are not available to pay for current expenditures and therefore are deferred in the funds.	29,995
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,783,293)
4. Interest payable on long-term liabilities is not reported on the governmental fund balance sheet.	(36,914)
5. Bond premiums, bond discounts and loss on redemption of bonds are reported as other financing sources and uses in the governmental funds but as a liability and contra-liability on the statement of net assets.	<u>14,083</u>
Total Net Assets	<u><u>\$ 6,259,326</u></u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the year ended June 30, 2007**

	<u>Major Fund</u>		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
REVENUE			
Local sources	\$ 3,052,330	\$ 347,662	\$ 3,399,992
State sources	7,694,687	1,414,720	9,109,407
Federal sources	99,943	3,343,964	3,443,907
Total revenues	<u>10,846,960</u>	<u>5,106,346</u>	<u>15,953,306</u>
EXPENDITURES			
Instruction	6,428,931	1,725,473	8,154,404
Support services	3,864,085	1,945,856	5,809,941
Noninstructional services		965,127	965,127
Facilities Acquisition & Construction Services		37,402	37,402
Debt Service:			
Principal	-	406,542	406,542
Interest		160,870	160,870
Other		2,191	2,191
Total expenditures	<u>10,293,016</u>	<u>5,243,461</u>	<u>15,536,477</u>
Excess (deficiency) of revenues over expenditures	<u>553,944</u>	<u>(137,115)</u>	<u>416,829</u>
Other Financing Sources (Uses):			
Sale of Transportation Equipment	1,085	-	1,085
Sale of Other Property	3,579	-	3,579
Operating transfers in	110,379	204,365	314,744
Other financing sources	31,946	-	31,946
Operating transfers out	(25,040)	(289,704)	(314,744)
Other financing uses	(14,577)	(31,425)	(46,002)
Total other financing sources and uses	<u>107,372</u>	<u>(116,764)</u>	<u>(9,392)</u>
Net change in fund balances	<u>661,316</u>	<u>(253,879)</u>	<u>407,437</u>
Fund balances:			
July 1, 2006, as previously reported	3,432,951	1,368,142	4,801,093
Prior period adj. & reclassifications	622	14,029	14,651
July 1, 2006, as restated	<u>3,433,573</u>	<u>1,382,171</u>	<u>4,815,744</u>
Increase (decrease) in reserve for inventory		<u>7,034</u>	<u>7,034</u>
June 30, 2007	<u>\$ 4,094,889</u>	<u>\$ 1,135,326</u>	<u>\$ 5,230,215</u>

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

***Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2007***

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 407,437
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$235,581, the depreciation expense amounted to \$236,773, and book value of the assets retired was \$26,764.	(27,956)
2. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	(10,372)
3. 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.	406,542
4. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activity.	7,034
5. 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	(21,196)
Accrued interest on bonds payable	<u>3,237</u>
Change in Net Assets of Governmental Activities	<u>\$ 764,726</u>

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

Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 605,288
Total Assets	<u>\$ 605,288</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 594,999
Due to student clubs	<u>10,289</u>
Total Liabilities	<u>\$ 605,288</u>

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

NORTH PANOLA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board which 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 school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

Fund Financial Statements:

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

NORTH PANOLA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FUDICIARY 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.

NORTH PANOLA SCHOOL DISTRICT

Notes to Financial Statements

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

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than three months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

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

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

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

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

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

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

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

Reserved for debt service – An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

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

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

2. Cash and Cash Equivalents and Investments.

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

Deposits. The school must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code. (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 (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds(Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,716,701 and \$605,288, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$4,716,701. The bank balance was \$6,094,401.

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 the 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 \$6,094,401 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments. Investments are in U.S. Treasury securities.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Money market funds (Treasury security)	less than 1	<u>\$ 9,120</u>	

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 17-105-33(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 possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

Concentration of Credit Risk. Disclosure 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 all of its investments in U.S. government and external investment pools.

3. Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 285,511	\$ 3,691
Other governmental funds	<u>7,217</u>	<u>289,037</u>
Total Funds	<u>\$ 292,728</u>	<u>\$ 292,728</u>

“Due from’s” consist primarily of \$285,511 due to the general fund for covering year end expenditures in various funds and \$5,853 due to food service for the summer feeding program and District Maintenance.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 110,379	\$ 25,040
Other governmental Funds	<u>204,365</u>	<u>289,704</u>
Total Funds	<u>\$ 314,744</u>	<u>\$ 314,744</u>

Transfers out consists primarily of \$162,919 transferred from Title I to Consolidated Cost Administrative Fund, and \$110,379 transferred from Tech Prep, Education Interpreter, and 21st Century Grant to District Maintenance.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

4. Capital Assets.

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

	Balance 7-1-2006	Additions	Retirements	Adjustments	Balance 6-30-2007
Non-depreciable capital assets:					
Land	\$ 139,509	\$ -	\$ -	\$ -	\$ 139,509
Total non-depreciable capital assets	<u>139,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,509</u>
Depreciable capital assets:					
Buildings	7,415,572				7,415,572
Building improvements	1,301,058			-	1,301,058
Improvements other than buildings	26,246	47,252		-	73,498
Mobile equipment	1,176,199	146,979	264,039		1,059,139
Furniture and equipment	477,371	41,350	36,030	-	482,691
Leased property under capital leases	257,800	-			257,800
Total depreciable capital assets	<u>10,654,246</u>	<u>235,581</u>	<u>300,069</u>	<u>-</u>	<u>10,589,758</u>
Less accumulated depreciation for:					
Buildings	4,271,099	66,164			4,337,263
Building improvements	364,296	52,042		-	416,338
Improvements other than buildings	20,997	1,890		-	22,887
Mobile equipment	865,468	51,478	237,635	10,357	689,668
Furniture and equipment	392,295	41,997	35,670	(10,357)	388,265
Leased property under capital leases	46,404	23,202			69,606
Total accumulated depreciation	<u>5,960,559</u>	<u>236,773</u>	<u>273,305</u>	<u>-</u>	<u>5,924,027</u>
Total depreciable capital assets, net	<u>4,693,687</u>	<u>(1,192)</u>	<u>26,764</u>	<u>-</u>	<u>4,665,731</u>
Governmental activities capital assets, net	<u>\$ 4,833,196</u>	<u>\$ (1,192)</u>	<u>\$ 26,764</u>	<u>\$ -</u>	<u>\$ 4,805,240</u>

The adjustment between accumulated depreciation for mobile equipment and accumulated depreciation for furniture and equipment is to reclassify the beginning balance.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 136,636
Support services	90,874
Non-instructional	<u>9,263</u>
Total depreciation expense	<u>\$ 236,773</u>

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

5. Long-Term liabilities.

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

	Balance 7/1/2006	Additions	Reductions	Balance 6/30/2007	Amounts due within one year
A. General obligation bonds	\$ 1,260,000	\$ -	\$ 195,000	\$ 1,065,000	\$ 200,000
B. Limited obligation bonds payable	2,630,000	-	170,000	2,460,000	175,000
C. Obligations under capital leases	199,224	-	41,542	157,682	43,056
D. Compensated Absences Payable	79,415	21,196	-	100,611	-
Total	\$ 4,168,639	\$ 21,196	\$ 406,542	\$ 3,783,293	\$ 418,056

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:

	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bonds Series 2004	1.75-3.12%	11/1/2004	10/1/2011	<u>\$ 1,455,000</u>	<u>\$ 1,065,000</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 200,000	\$ 27,286	\$ 227,286
2009	205,000	22,372	227,372
2010	215,000	16,695	231,695
2011	220,000	10,331	230,331
2012	225,000	3,516	228,516
Total	\$ 1,065,000	\$ 80,200	\$ 1,145,200

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 equaled to 2% of property assessments as of October 1, 2006. This debt will be retired from the General Obligation Bond Retirement Fund.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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 Improvement Bonds Series 1998	Varies	6/16/1998	6/16/2018	\$ 3,350,000	\$ 2,460,000

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 175,000	\$ 113,109	\$ 288,109
2009	185,000	105,452	290,452
2010	195,000	97,312	292,312
2011	200,000	88,537	288,537
2012	210,000	79,338	289,338
2013-2017	1,215,000	236,538	1,451,538
2018	280,000	12,600	292,600
Total	\$ 2,460,000	\$ 732,886	\$ 3,192,886

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

C. Obligations Under Capital Leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of five buses.

The various options available to the lessee for this lease are as follows:

1. Prepayment Option
2. Purchase Option
3. Defeasance in Whole
4. Partial Defeasance

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 43,056	\$ 5,307	\$ 48,363
2009	44,624	3,739	48,363
2010	46,249	2,113	48,362
2011	23,753	429	24,182
Total	<u>\$ 157,682</u>	<u>\$ 11,588</u>	<u>\$ 169,270</u>

This debt will be retired from the EEF Building and Buses Fund.

D. 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), Mississippi Code Annotated (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

6. Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the North Panola School District is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006, and 2005 were \$962,551, \$867,592, and \$755,190, respectively, which equaled the required contributions for each year.

7. Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

Exhibit B – Statement of Activities

Explanation	Amount
1. To write off old outstanding checks	\$ 622
2. To adjust prior deferred revenue in the Direct Service grant to prior revenue	14,029
Total	<u>\$ 14,651</u>

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

Major funds:	Explanation	Amount
General Fund	Old outstanding checks	\$ 622
Other Governmental Funds	Adjust prior deferred revenue to prior revenue	14,029
	Total	<u>\$ 14,651</u>

8. Litigation.

The North Panola School District is subject to various legal proceedings in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be a material adverse effect on the combined financial statements as a result of the cases presently in progress.

9. Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$1,000,000. For a claim exceeding \$1,000,000, MPEWCT 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 pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

NORTH PANOLA SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION

NORTH PANOLA SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,809,404	\$ 3,052,330	\$ 3,052,330	\$ 242,926	\$ -
State sources	7,552,312	7,694,687	7,694,687	142,375	-
Federal sources	35,500	99,943	99,943	64,443	-
Total Revenues	<u>10,397,216</u>	<u>10,846,960</u>	<u>10,846,960</u>	<u>449,744</u>	<u>-</u>
Expenditures:					
Instruction	6,448,290	6,428,931	6,428,931	19,359	-
Support services	3,896,449	3,864,085	3,864,085	32,364	-
Noninstructional services	-	-	-	-	-
Debt service	-	-	-	-	-
Total Expenditures	<u>10,344,739</u>	<u>10,293,016</u>	<u>10,293,016</u>	<u>51,723</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>52,477</u>	<u>553,944</u>	<u>553,944</u>	<u>501,467</u>	<u>-</u>
Other Financing Sources (Uses):					
Sale of transportation equipment		1,085	1,085	1,085	-
Sale of other property		3,579	3,579	3,579	-
Operating transfers in	-	110,379	110,379	110,379	-
Other financing sources	65,920	31,946	31,946	(33,974)	-
Operating transfers out	(15,000)	(25,040)	(25,040)	(10,040)	-
Other financing uses	(60,000)	(14,577)	(14,577)	45,423	-
Total Other Financing Sources (Uses)	<u>(9,080)</u>	<u>107,372</u>	<u>107,372</u>	<u>116,452</u>	<u>-</u>
Net Change in Fund Balances	<u>43,397</u>	<u>661,316</u>	<u>661,316</u>	<u>617,919</u>	<u>-</u>
Fund Balances:					
July 1, 2006	3,432,951	3,432,951	3,432,951	-	-
Prior period adjustments			622	-	622
July 1, 2006, as restated	<u>3,432,951</u>	<u>3,432,951</u>	<u>3,433,573</u>	<u>-</u>	<u>622</u>
Residual equity transfer in (out)				-	-
June 30, 2007	<u>\$ 3,476,348</u>	<u>\$ 4,094,267</u>	<u>\$ 4,094,889</u>	<u>\$ 617,919</u>	<u>\$ 622</u>

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

Budgetary Comparison Schedule

1. Basis of Presentation.

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

2. Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

NORTH PANOLA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 50,448
Child nutrition cluster:		
National school breakfast program	10.553	278,131
National school lunch program	10.555	646,735
Summer food program	10.559	23,260
Total child nutrition cluster		<u>948,126</u>
Total U.S. Department of Agriculture		<u>998,574</u>
<u>U. S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	<u>38,666</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>59,858</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,383,799
Vocational education - basic grants to states	84.048	36,471
Safe and drug-free schools and communities - state grants	84.186	24,756
State grants for innovative programs	84.298	4,301
Education technology state grants	84.318	20,440
Rural education	84.358	84,998
Improving teacher quality state grants	84.367	260,455
Grants for state assessments and related activities	84.369	9,880
Total		<u>1,825,100</u>
Special education cluster:		
Special education-grants to states	84.027	476,861
Special education - preschool grants	84.173	43,431
Total		<u>520,292</u>
Total passed-through Mississippi Department of Education		<u>2,345,392</u>
Total U.S. Department of Education		<u>2,345,392</u>
Total for All Federal Awards		<u>\$ 3,442,490</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, 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 PANOLA SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds
For the Year Ended June 30, 2007

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,700,362	\$ 8,709,392	742,735	\$ 749,049	\$ 1,499,186
Other	3,836,115	1,591,198	207,490	4,326	2,033,101
Total	<u>\$ 15,536,477</u>	<u>\$ 10,300,590</u>	<u>950,225</u>	<u>\$ 753,375</u>	<u>\$ 3,532,287</u>
Total number of students	1,845	1,845	1,845	1,845	1,845
Cost per student	<u>\$ 8,421</u>	<u>\$ 5,583</u>	<u>\$ 515</u>	<u>\$ 408</u>	<u>\$ 1,915</u>

For the purposes of this schedule, the following column 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 function: Support Services -School Administration (2400s);

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

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NORTH PANOLA SCHOOL DISTRICT
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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 Panola School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2007, which collectively comprise the North Panola School District's basic financial statements and have issued our report thereon dated January 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding **2007-01** to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, 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 school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

January 22, 2008



WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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 Panola School District

Compliance

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

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

In our opinion, North Panola 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.

Continued...

Continued...

Internal Control Over Compliance

The management of the North Panola 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 the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirements 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 a 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, 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
January 22, 2008



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

Superintendent and School Board
North Panola School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2007, which collectively comprise the North Panola School District's basic financial statements and have issued our report thereon dated January 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18 (3), 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 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 \$25,543 of classroom supply funds carried over from previous years.

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

As required by 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 regulation was not an objective of our audit and, accordingly, we do not express such an opinion.

Continued...

Continued...

The results of procedures performed to test compliance with certain other state laws and regulations and our 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
January 22, 2008

NORTH PANOLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH PANOLA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

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

2. Material noncompliance relating to the financial statements? No

3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No

 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Federal Awards:

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

5. Internal control over major programs:
 - a. Material weakness (es) identified? No

 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

6. Any audit finding(s) reported as required by section ____ .510(a) of Circular A-133? No

7. Federal programs identified as major programs:
 - a. Title I – grants to local education agencies
CFDA#84.010
 - b. Child nutrition cluster
CFDA#10.553, CFDA#10.555, CFDA#10.559
 - c. Special education cluster
CFDA #84.027
CFDA #84.173

Federal Awards (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? No
10. Prior fiscal year audit prior 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? Yes

Section 2: Findings Related to the Financial Statements

Reportable Conditions not Considered to be Material Weaknesses

07-1 Finding

Five checks from hourly employees were selected from the payroll expenditures test for the purpose of comparing the wages paid for each check to the actual timecard. Of the five selected, two had exceptions. Both exceptions were for writing time in without proper approval.

Recommendation

The district should have the time cards reviewed by the bookkeeper and the principal for correctness before being sent to the payroll clerk.

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AUDITEE'S CORRECTIVE ACTION PLAN

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North Panola School District

Office of the Superintendent of Education
470 U.S. Highway 51 North

Post Office Box 334
Sardis, Mississippi 38668

Phone: 662-487-2305
Fax: 662-487-2050

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____315(c) of OMB Circular A-133, the North Panola School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year Ended June 30, 2007:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
----------------	---------------------------------------

07-1	a. Name of Contact Person Responsible for Corrective Action:
------	--

Name:	Lucinda Carter
Title:	Superintendent
Phone # :	(662) 487 - 2305

	b. Corrective Action Planned:
--	-------------------------------

A new time clock system that will calculate hours worked has been installed in the school district. The new system requires each person to clock in with their designated finger. This will eliminate the possibility of persons writing in time on manual time cards.

	c. Completion Date: January 7, 2008
--	-------------------------------------

Sincerely Yours,

Lucinda Carter, Superintendent
North Panola School District



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS





North Panola School District

Office of the Superintendent of Education
470 U.S. Highway 51 North

Post Office Box 334
Sardis, Mississippi 38666

Phone: 662-487-2305
Fax: 662-487-2050

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section ____315(b) of OMB Circular A-133, the North Panola School District has prepared and hereby submits the following summary schedule of prior audit findings as of January 29, 2008:

<u>Finding</u>	<u>Status</u>
06-1	A new time clock system that will calculate hours worked has been installed in the school district. The new system requires each person to clock in with their designated finger. This will eliminate the possibility of persons writing in time on manual time cards.
06-2	The beginning and ending tickets are now being attached to each school event receipt form to provide proof of the number of tickets sold at each school function.
06-3	Problems with the software used to record the daily sales for food service have been corrected. Employees using the software have been properly trained to record daily food service sales.
06-4	Policies and procedures to ensure compliance with the cash management requirements for federal program funds have been implemented. Funds are being spent in the time frame as required.
06-5	Policies and procedures to ensure compliance with the cash management requirements for federal program funds have been implemented. Requests were reduced to remove the over requested amount, and the business manager prepares requests to ensure funds are no longer over requested.

Sincerely,

Lucinda Carter, Superintendent
North Panola School District

