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SUNFLOWER COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY 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
Sunflower County School District

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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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. 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 of the Sunflower County 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 October 20, 2008 on my consideration of the Sunflower County 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 my audit.

The Management's Discussion and Analysis on pages (7) through (12) and the Budgetary Comparison Schedule and corresponding notes on pages (34) through (37) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

October 20, 2008

SUNFLOWER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

Total net assets increased by $ 1,452,237, which represents a 71.2% increase from fiscal year 2006.

General revenues account for $10,875,386 in revenue, or 69% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $4,930,642 or 31% of total revenues.

The District had $14,353,791 in expenses; only $4,930,642 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $10,875,386 were adequate to provide for these programs.

Among major funds, the General Fund had $10,735,640 in revenues and $ 9,702,710 in expenditures. The General Fund's fund balance increased $950,676 over the prior year. This increase is attributable to sound fiscal management.

Capital assets, net of accumulated depreciation, decreased by $ 71,979.

Long-term debt decreased by $364,411.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by

property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

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

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

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

Because the focus of governmental funds is narrower that that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19, respectively.

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

The basic governmental fund financial statements can be found on pages 16-18 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 Net Assets on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-31 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 34-37 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be

found on pages 40-41 of this report and a schedule of instructional, administrative and other expenditures-governmental funds can be found on page 42.

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 $3,492,142 as of June 30, 2007.

The District's net assets are comprised of its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment, less any related debt used to acquire those assets that is still outstanding plus restricted net assets and unrestricted net assets less current liabilities to be paid from those assets. The District's net capital assets are not a major component of net assets, accounting as debt exceeds net capital assets. Of the remaining net assets 92% or 3,755,908 is unrestricted and may be expended at the discretion of the school board. The remaining 8% is restricted for permanent fund investments, debt service, capital improvements, and unemployment benefits.

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

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

	Governmental Activities		Percentage
	2007	2006	Change
Current assets	5,736,961	4,453,127	28.83%
Capital assets, net	2,963,210	3,035,189	-2.37%
Total assets	8,700,171	7,488,316	16.18%
Current liabilities	1,519,351	1,395,322	8.89%
Long-term debt outstanding	3,688,678	4,053,089	-8.99%
Total liabilities	5,208,029	5,448,411	-4.41%
Net assets:			
Invested in capital assets, net of related debt	(604,790)	(929,811)	34.96%
Restricted	412,692	393,991	-4.75%
Unrestricted	3,684,240	2,575,725	-43.04%
Total net assets	3,492,142	2,039,905	71.19%

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

The addition of $71,009 in new assets by purchasing a new bus and other equipment.

The principal retirement of $ 397,000 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007, were $15,806,028. The total cost of all programs and services was $14,353,791. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 compared to the same period in 2006

	Governmental Activities 2007	2006	Percent Change
Revenues:			
Program revenues			
Charges for services	407,936	277,386	47.06%
Operating Grants and contributions	4,522,706	4,386,497	3.11%
General Revenues			
Property taxes	2,378,345	2,353,798	1.04%
Grants and contributions not restricted	8,106,208	7,791,457	4.04%
Other	390,833	280,127	39.52%
Total revenues	15,806,028	15,089,265	4.75%
Expenses:			
Instruction	8,004,995	8,180,815	-2.15%
Support services	5,057,834	4,919,742	2.81%
Non-instructional	1,073,360	967,634	10.93%
16th Section	31,434	87,027	-63.88%
Interest on long-term obligations	186,168	189,351	-1.68%
Total Expenses	14,353,791	14,344,569	0.06%
Increase (Decrease) in net assets	1,452,237	744,696	95.01%
Net Assets - July 1	2,039,905	1,295,209	57.50%
Net Assets June 30	3,492,142	2,039,905	71.19%

.overnmental 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.

	Total Cost of Services 2007	2006	Percent Change	Net Revenue (Expense) 2007	2006	Percent Change
Instruction	8,004,995	8,180,815	-2.15%	(5,761,781)	(6,406,480)	-10.06%
Support services	5,057,834	4,919,742	2.81%	(3,845,447)	(3,371,799)	14.05%
Non-instructional	1,073,360	967,634	10.93%	79,815	52,105	53.18%
16th Section	31,434	87,027	-63.88%	(31,434)	(87,027)	-63.88%
Interest on long-term obligatio	186,168	189,351	-1.68%	135,698	132,515	2.40%
	14,353,791	14,344,569	0.06%	(9,423,149)	(9,680,686)	-2.66%

Net cost of governmental activities $ 9,423,149, was financed by general revenue, which is made up of primarily property taxes $2,378,345, state revenue $7,949,415, and sixteenth section revenue $333,741.

Investment earnings accounted for $56,372 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on current

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $4,289,278, an increase of $1,146,205. $3,868,438 or 90% 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 $420,840 or 10% 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 $ 950,676 primarily the result of sound fiscal management. The fund balance of the Child Nutrition Fundeased by $30,616 due to saving of funds for equipment purchases. The fund balance of Other Governmental Funds showed an increase of $162,627 due primarily to funds accumulated for the retirement of long term debt.

BUDGETARY HIGHLIGHTS

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

The budget was amended at year end to reflect actual performance for the year. Revenues were amended to the amount received and expenditures were amended to the amount incurred.

A schedule showing the original and final budget amounts compared to the District's actual financial 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 capital assets were $6,980,900, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of $64,986 from the previous year due to purchase of a new bus. Total accumulated depreciation as of June 30, 2007, was $4,017,690 and total depreciation expense for the year was $142,928, resulting in total net assets of $2,963,210.

	Capital Assets Net of Depreciation 2007	2006	Percentage Change
Land	86,550	86,550	0.00%
Buildings	2,431,574	2,495,538	-2.56%
Improvements other than buildings	33,149	34,656	-4.35%
Mobile equipment	373,221	380,458	-1.90%
Furniture and equipment	38,716	37,987	1.92%
Total	2,963,210	3,035,189	-2.37%

Additional information of the District's capital assets can be found in Note 4 on pages 27-28 of this report.

Debt Administration. At June 30, 2007, the District had $3,688,678 in general obligation bonds and other long-term debt outstanding, of which $355,000 is due within one year.

The District maintains a AA bond rating.

	Outstanding Debt		Percentage
	2007	2006	Change
Limited obligation bonds payable	$2,715,000	$2,900,000	-6.38%
Three mill notes payable	$853,000	$1,065,000	-19.91%
Compensated absences payable	$120,678	$88,089	37.00%
Total	$3,688,678	$4,053,089	-8.99%

Additional information of the District's long-term debt can be found in Note 5 on pages 28-29 of this report.

CURRENT ISSUES

The Sunflower County School District is currently financially sound. The District is proud of its community support of the public schools.

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

Latest enrollment figures indicate that student enrollment in the District will decrease by 40 students. The budget for the next fiscal year has taken into account this decrease in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Sunflower County School District, P. O. Box 70, Indianola, MS 38751.

SUNFLOWER COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2007

		Primary Government Governmental Activities
Assets		
Cash and cash equivalents (Note 2)	$	4,501,934
Investments		33,318
Due from other governments		886,599
Due from other funds (Note 3)		291,130
Inventories		8,148
Restricted assets		15,832
Capital assets- non depreciable(Note 4)		
Land		86,550
Capital assets net of accumulated depreciation (Note 4)		
Buildings		2,431,574
Improvements other than buildings		33,149
Mobile equipment		373,221
Furniture and equipment		38,716
Total Assets	$	8,700,171
Liabilities		
Accounts payable and accrued liabilities	$	1,151,098
Interest payable on long-term liabilities		71,668
Uunearned revenue		296,585
Long-term liabilities, due within one year (Note 5)		
Capital related liabilities		355,000
Long-term liabilities, due beyond one year (Note 5)		
Capital related liabilities		3,213,000
Non-capital related liabilities		120,678
Total Liabilities	$	5,208,029
Net Assets		
Investment in capital assets, net of related debt	$	(604,790)
Restricted net assets:		
Expendable:		
Debt service		262,175
Unemployment benefits		50,417
Capital projects		12,600
Nonexpendable		
Sixteenth section		15,832
Unrestricted		3,755,908
Total Net Assets	$	3,492,142

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Assets: Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	$ 8,004,995	331,976	1,911,238	(5,761,781)
Support services	5,057,834	23,708	1,188,679	(3,845,447)
Non-instructional	1,073,360	52,252	1,100,923	79,815
16th Section	31,434			(31,434)
Interest on long-term liabilities	186,168		321,866	135,698
Total governmental activities	$ 14,353,791	407,936	4,522,706	(9,423,149)
Taxes:				
General purpose levies				2,237,094
Debt purpose levies				141,251
Unrestricted grants and contributions:				
State				7,949,415
Federal				156,793
Unrestricted investment earnings				56,372
Sixteenth section sources				333,741
Gain on sale of fixed assets				720
Total General Revenues				10,875,386
Change in Net Assets				1,452,237
Net Assets - Beginning				2,039,905
Net Assets - Ending				$ 3,492,142

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2007

		Major Funds				
		General Fund	Child Nutrition Fund	Title I Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (Note 2)	$	2,739,178	679,242	127,267	956,414	4,502,101
Investments					48,983	48,983
Due from other governments		117,124		365,877	403,598	886,599
Due from other funds (Note 3)		1,184,687			120,576	1,305,263
Inventories			8,148		0	8,148
Total Assets	$	4,040,989	687,390	493,144	1,529,571	6,751,094
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$	880,800	21,347	84,469	164,482	1,151,098
Due to other funds (Note 3)		120,620	329,468	408,675	155,370	1,014,133
Uunearned revenue					296,585	296,585
Total Liabilities		1,001,420	350,815	493,144	616,437	2,461,816
Fund Balances:						
Reserved for:						
Inventory			8,148		0	8,148
Capital projects					12,600	12,600
Debt service					333,843	333,843
Unemployment benefits					50,417	50,417
Permanent fund purposes					15,832	15,832
Unreserved:						
Undesignated, reported in:						
General fund		3,039,569				3,039,569
Special Revenue funds			328,427		500,442	828,869
Total Fund Balances		3,039,569	336,575	0	913,134	4,289,278
Total Liabilities and Fund Balances	$	4,040,989	687,390	493,144	1,529,571	6,751,094

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit C-1

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

		Amount
Total Fund Balance - Governmental Funds	$	4,289,278
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $ 4,017,690. (Note 4)		2,963,210
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)		(3,688,678)
3. Interest accrued on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.		(71,668)
Total Net Assets - Governmental Activities	$	3,492,142

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007

	Major Funds				
	General Fund	Child Nutrition Fund	Title I Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 2,629,432	59,544	1,181	152,496	2,842,653
State sources	7,949,415	5,214		560,453	8,515,082
Federal sources	156,793	991,925	1,567,921	1,397,193	4,113,832
Sixteenth section sources				333,741	333,741
Total Revenues	10,735,640	1,056,683	1,569,102	2,443,883	15,805,308
Expenditures:					
Instruction	6,026,237		849,279	1,056,648	7,932,164
Support services	3,676,473	66,585	509,507	783,617	5,036,182
Non instructional services		894,680	170,368	573	1,065,621
16th Section				31,434	31,434
Debt service:					
Principal				397,000	397,000
Interest				199,768	199,768
Total Expenditures	9,702,710	961,265	1,529,154	2,469,040	14,662,169
Excess (Deficiency) of Revenues Over Expenditures	1,032,930	95,418	39,948	(25,157)	1,143,139
Other Financing Sources (Uses):					
Sale of other property	750	30		0	780
Operating transfers in (Note 3)	116,433			349,940	466,373
Operating transfers out (Note 3)	(199,437)	(64,832)	(39,948)	(162,156)	(466,373)
Total Other Financing Sources (Uses)	(82,254)	(64,802)	(39,948)	187,784	780
Net Change in Fund Balances	950,676	30,616	0	162,627	1,143,919
Fund Balances:					
July 1, 2006	2,088,893	303,673	0	750,507	3,143,073
Increase in reserve for inventory		2,286		0	2,286
June 30, 2007	$ 3,039,569	336,575	0	913,134	4,289,278

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit D-1

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

		Amount
Net Change in Fund Balances - Governmental Funds	$	1,143,919
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 $71,009 and the depreciation expense amounted to $142,928. (Note 4)		(71,919)
2. Increase in Compensated absences is not recorded in the governmental funds, but increases expense in the statement of activity. (Note 5)		(32,589)
3. Payment of interest on long-term liabilities is reported as an expenditure when paid in the governmental funds, but is accrued and expensed in the period incurred in the statement of activity. (Note 5)		13,600
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 5)		397,000
5. Amounts received from disposition of assets is reported as revenue in the governmental funds, but are reduced by the net value of the assets in the in the statement of activity.		(60)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are increased (decreased) in the statement of activity.		2,286
Change in Net Assets of Governmental Activities	$	1,452,237

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit E

Statement of Fiduciary Assets and Liabilities

June 30, 2007

		Agency Funds
Assets		
Cash and cash equivalents (Note 2)	$	294,922
Total Assets	$	294,922
Liabilities		
Due to student clubs		3,792
Due to other funds (Note 3)		291,130
Total Liabilities	$	294,922

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a (5) member board of which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other non exchange revenues.

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

Child Nutrition Fund- This fund accounts for funds used to provide meals for children at a price based on need and to faculty at a price not less than cost.

Title I Fund - This is the school district's federal reimbursable fund that provides reading and math services to educationally disadvantaged students.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

Reserved for capital projects - An account that represents that portion of fund balance in the Capital projects fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

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

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

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

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

P. Estimates.

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

(2) Cash and Cash Equivalents, and Investments

Cash and Cash Equivalents.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for school district deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal 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 depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $4,502,101 and $294,922, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - $4,501,934 and Restricted Assets - $167. The bank balance was $5,204,167.

Investments.

As of June 30, 2007, the school district's investments are as follows:

InvestmentType	Maturities	Fair Value	Rating
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than 1 year	$33,318	AA
Planters Bank Certificate of Deposit	09/25/2007	$15,665	None
Total Investments		$48,983	

Investments are reported in the government-wide financial statements as Investments $33,318 and Restricted Assets $15,665.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of $5,204,167 was exposed to custodial credit risk.

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007 none of the district's investment balance of $48,983 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Due From/To Other Funds:	Due From	Due to
Governmental Funds		
General Fund	$1,184,687	$120,620
Child NutritionFund		329,468
Title I Fund		408,675
Other Governmental Funds	120,576	155,370
Fiduciary Funds		291,130
Total	$1,305,263	$1,305,263

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

B. Transfers In/Out:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	116,433	199,437
Child NutritionFund		64,832
Title I Fund		39,948
Other Governmental Funds	349,940	162,156
Total	$466,373	$466,373

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

(4) Capital Assets.

The following is a summary of changes in general fixed assets:

	Balance 7-1-06	Additions	Deletions	Adjustments	Balance 6-30-07
Land	86,550				86,550
	86,550	0	0	0	86,550

Buildings	4,996,720				4,996,720
Improvements other than buildir	37,669				37,669
Mobile equipment	1,376,279	56,764			1,433,043
Furniture and equipment	418,696	14,245	6,023		426,918
Total dwpreciable assets	6,829,364	71,009	6,023	0	6,894,350
Less accumulated depreciation for:					
Buildings	2,501,182	63,964			2,565,146
Improvements other than buildir	3,013	1,507			4,520
Mobile equipment	995,821	64,001			1,059,822
Furniture and equipment	380,709	13,456	5,963		388,202
Total accumulated depreciation	3,880,725	142,928	5,963	0	4,017,690
Net depreciable assets	2,948,639	(71,919)	60	0	2,876,660
Governmental activities capital assets net	3,035,189	(71,919)	60	0	2,963,210

Depreciation was charged to the following functions:

	Amount
Instruction	54,487
Support services	78,416
Non-instructional	10,025
Total depreciation expense	142,928

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

(5) General Long-term Debt and Other Obligations.

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

	Balance 7-1-06	Additions	Reductions	Balance 6-30-07	Due within one year
A. Limited obligation bonds payable	2,900,000		185,000	2,715,000	195,000
B. Three mill notes payable	1,065,000		212,000	853,000	160,000
C. Compensated absences payable	88,089	32,589		120,678	0
Total	$4,053,089	$32,589	$397,000	$3,688,678	$355,000

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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement Bonds, Series 1998	4.60-5.70%	3/1/98	3/1/18	$3,890,000	$2,715,000

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

Year Ending June 30,	Principal	Intereat	Total
2008	195,000	123,855	318,855
2009	205,000	115,275	320,275
2010	215,000	106,050	321,050
2011	225,000	96,375	321,375
2012	235,000	86,250	321,250
2013 - 2017	1,335,000	259,670	1,594,670
2018 - 2022	305,000	14,030	319,030
Total	2,715,000	801,505	3,516,505

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

B. Three mill-ten year notes payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Sunflower County School District Limited Tax Notes, Series 2001	4.95%	5/11/01	5/11/11	$500,000	$386,000
Sunflower County School District Limited Tax Notes, Series 2004	4.125%	8/27/04	8/27/14	$551,000	$467,000
Total				$1,051,000	$ 853,000

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

Year Ending June 30,	Principal	Intereat	Total
2008	160,000	38,371	198,371
2009	110,000	31,037	141,037
2010	101,000	26,045	127,045
2011	107,000	20,897	127,897
2012	10,000	15,469	25,469
2013 - 2017	365,000	30,484	395,484
Total	853,000	162,303	1,015,303

This debt will be retired from the 3 Mill Debt Service Fund.

C. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006, and 2005 were $845,538, $623,431 and $613,744, respectively, which equaled the required contribution for each year.

(7) Sixteenth Section Funds.

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

Year Ending June 30,	
2008	162,678
2009	141,135
2010	134,328
2011	95,472
2012	1,070
2013 - 2017	2,633
Total	537,316

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consist of approximately 121 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South 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 $25,000,000. 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) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie School District, Coahoma County School District, Drew School District, North Bolivar School District, Quitman County School District, Mound Bayou School District, Coahoma Agricultural High School District. and Sunflower County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

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SUNFLOWER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 2,600,000	2,629,432	2,629,432	29,432	0
State sources	7,800,000	7,949,415	7,949,415	149,415	0
Federal sources			156,793	0	156,793
Total Revenues	10,400,000	10,578,847	10,735,640	178,847	156,793
Expenditures:					
Instruction	6,200,000	6,026,237	6,026,237	(173,763)	0
Support services	3,500,000	3,519,680	3,676,473	19,680	(156,793)
Non instructional services		0	0	0	0
Total Expenditures	9,700,000	9,545,917	9,702,710	(154,083)	(156,793)
Excess (Deficiency) of Revenues Over Expenditures	700,000	1,032,930	1,032,930	332,930	0
Other Financing Sources (Uses):					
Insurance loss recovery		0	0	0	0
Sale of other property	1,000	750	750	(250)	0
Operating transfers in (Note 3)	200,000	116,433	116,433	(83,567)	0
Operating transfers out (Note 3)	(350,000)	(199,437)	(199,437)	150,563	0
Total Other Financing Sources (Uses)	(149,000)	(82,254)	(82,254)	66,746	0
Net Change in Fund Balances	551,000	950,676	950,676	399,676	0
Fund Balances:					
July 1, 2006	2,088,893	2,088,893	2,088,893	0	0
June 30, 2007	2,639,893	3,039,569	3,039,569	399,676	0

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule 2

Budgetary Comparison Schedule

Child Nutrition Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 65,000	59,544	59,544	(5,456)	0
State sources	6,000	5,214	5,214	(786)	0
Federal sources	975,000	991,925	991,925	16,925	0
Total Revenues	1,046,000	1,056,683	1,056,683	10,683	0
Expenditures:					
Support services	65,000	66,585	66,585	(1,585)	0
Non instructional services	900,000	894,680	894,680	5,320	0
Total Expenditures	965,000	961,265	961,265	3,735	0
Excess (Deficiency) of Revenues Over Expenditures	81,000	95,418	95,418	14,418	0
Other Financing Sources (Uses):					
Sale of other property		30	30	30	0
Operating transfers out (Note 3)	(60,000)	(64,832)	(64,832)	(4,832)	0
Total Other Financing Sources (Uses)	(60,000)	(64,802)	(64,802)	(4,802)	0
Net Change in Fund Balances	21,000	30,616	30,616	9,616	0
Fund Balances:					
July 1, 2006	303,673	303,673	303,673	0	0
Increase in reserve for inventory		2,286	2,286	2,286	0
June 30, 2007	324,673	336,575	336,575	11,902	0

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule 3

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 500	1,181	1,181	681	0
Federal sources	$ 1,550,000	1,567,921	1,567,921	17,921	0
Total Revenues	1,550,500	1,569,102	1,569,102	18,602	0
Expenditures:					
Instruction	850,000	849,279	849,279	721	0
Support services	500,000	509,507	509,507	(9,507)	0
Non instructional services	170,500	170,368	170,368	132	0
Total Expenditures	1,520,500	1,529,154	1,529,154	(8,654)	0
Excess (Deficiency) of Revenues Over Expenditures	30,000	39,948	39,948	9,948	0
Other Financing Sources (Uses):					
Operating transfers out (Note 3)	(30,000)	(39,948)	(39,948)	(9,948)	0
Total Other Financing Sources (Uses)	(30,000)	(39,948)	(39,948)	(9,948)	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2006	0	0	0	0	0
June 30, 2007	0	0	0	0	0

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

Notes to the Required Supplementary Information

(1) Basis of Presentation.

The Budgetary Comparison 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.

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SUNFLOWER COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Schedule 4

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Numbe	Federal Expenditures
U.S. Department of Agriculture		
Passed through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	57,420
Child Nutrition Cluster:		
School Breakfast Program	10.553	270,118
National School Lunch Program	10.555	658,738
Total Nutrition Cluster		928,856
Child and adult care food program	10.558	5,649
Total Passed through Mississippi Department of Education		991,925
Total U.S. Department of Agriculture		991,925
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	156,793
Total Federal Communication Commission		156,793
U.S. Department of Education		
Direct programs:		
Twenty-First Century Community Learning Centers	84.287	98,293
Total direct programs		98,293
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education grants to states	84.027	517,496
Special education - preschool grants	84.173	7,942
Total Special Education Cluster		525,438
Title 1 grants to local educational agencies	84.010	1,567,921
Safe and drug free schools and communities- state grants	84.186	23,355
Twenty-First Century Community Learning Centers	84.287	108,252
State Grants for Innovative Programs	84.298	6,710
Education technology state grants	84.318	28,966
Reading First State Grants	84.357	239,359
Rural education	84.358	30,234
Improving teacher quality - state grants	84.367	280,586
Grants for State Assessments and Related Activities	84.369	10,471
Total Passed through Mississippi Department of Education		2,821,292
Total U.S. Department of Education		2,919,585

U.S. Department of Health and Human Services		
Passed through Mississippi Department of Education		
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	45,529
Total Passed through Mississippi Department of Education		45,529
Total U.S. Department of Health and Human Services		45,529
Total for All Federal Awards		4,113,832

NOTES TO SCHEDULE

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

SUNFLOWER COUNTY SCHOOL DISTRICT Schedule 5

Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds

For the Year Ended June 30, 2007

Functions/Programs	Total	Instructional and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 10,804,782	$ 8,186,255	$ 533,964	685,290	$ 1,399,273
Other expenditures	3,857,387	1,520,863	183,524	12,805	2,140,195
Total	$ 14,662,169	$ 9,707,118	$ 717,488	698,095	$ 3,539,468
Total number of students:*	1,684				
Cost per student:	$ 8,707	$ 5,764	$ 426	415	$ 2,102

For purposes of this schedule, the following columnar descriptions are applicable:
Instruction - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teacher's aides or classroom assistants of any type - all the 1000, 2100, & 2200 functional codes
General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services -Business (2500s)
School Administration - includes expenditures for the following functions; Support Services - School Administration (2400s)
Other - includes all expenditure functions not included in Instruction or Administration Categories
include 100 and 200 range object codes on the "Salary and fringe benefits" line; all other expenditures on the "Other" line.

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

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Sunflower County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sunflower County School District as of and for the year ended June 30, 2007, which collectively comprise the Sunflower County School District's basic financial statements and have issued my report thereon dated October 20, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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' 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' financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the 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 identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no 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.

October 20, 2008

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Sunflower County School District

Compliance

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

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

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

Internal Control Over Compliance

The management of the Sunflower County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing 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' 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' 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 likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

October 20, 2008

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Sunflower County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sunflower County School District as of and for the year ended June 30, 2007, which collectively comprise Sunflower County School District's basic financial statements, and have issued my report thereon dated October 20, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of 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 $70,796 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, " 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.

October 20, 2008

SUNFLOWER COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SUNFLOWER COUNTY 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 basic financial statements:	Unqualified
2. Material noncompliance relating to the basic 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?	None Reported

Federal Awards:

4. Type of auditor's opinion issues on compliance for major programs:	Unqualified
5. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) 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. The major programs were:

Child Nutrition Cluster	
School Breakfast Program	- CFDA 10.553
National School Lunch Program	- CFDA 10.555
Special Education Cluster	
Special Education Grants to States	- CFDA 84.027
Special Education -Preschool Grants	- CFDA 84.173
Title 1 Grants to Local Educational Agencies	- CFDA 84.010

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

Section 2: Findings Related to the Financial Statements

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

Section 3: Findings and Questioned Cost for Federal Awards

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