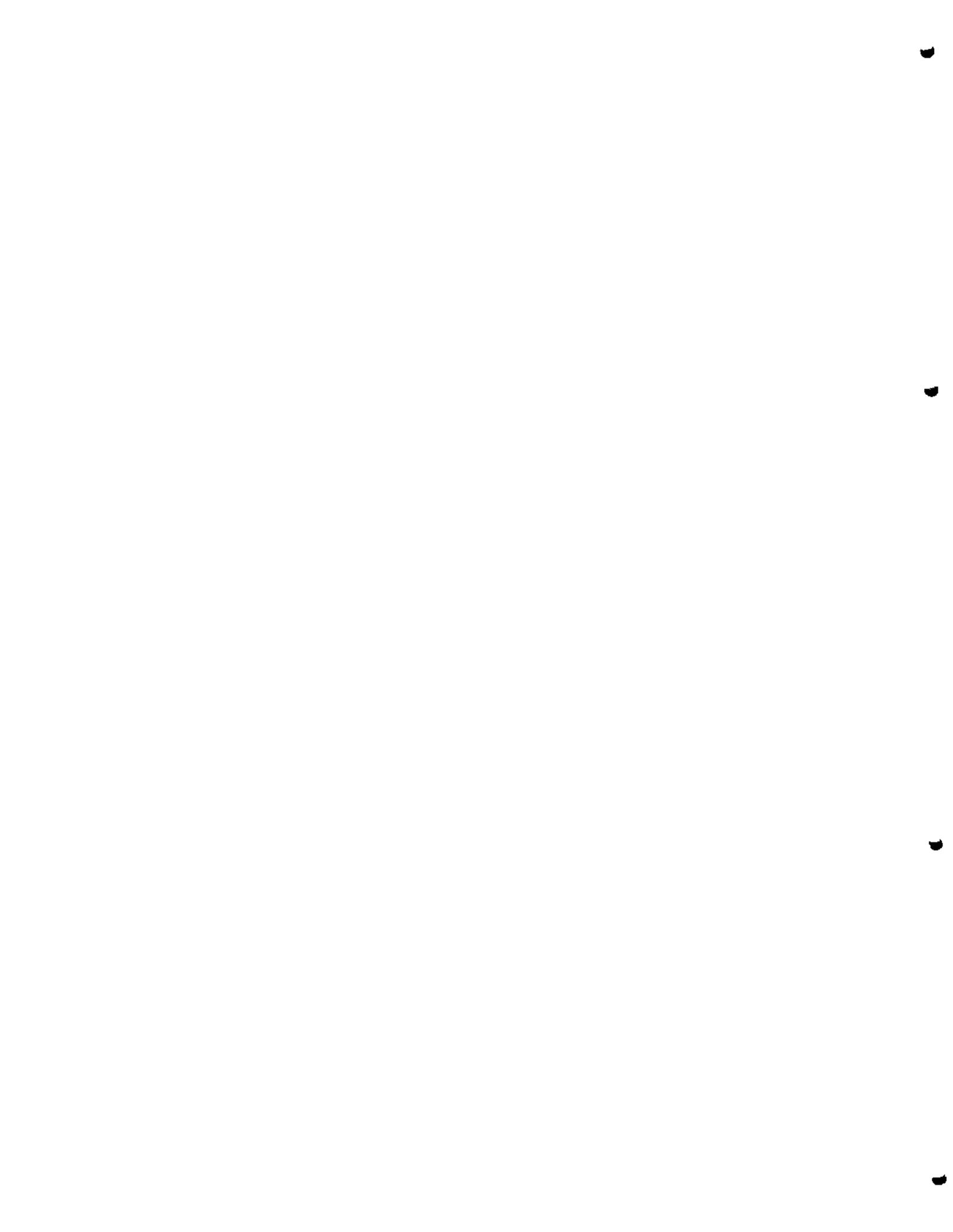




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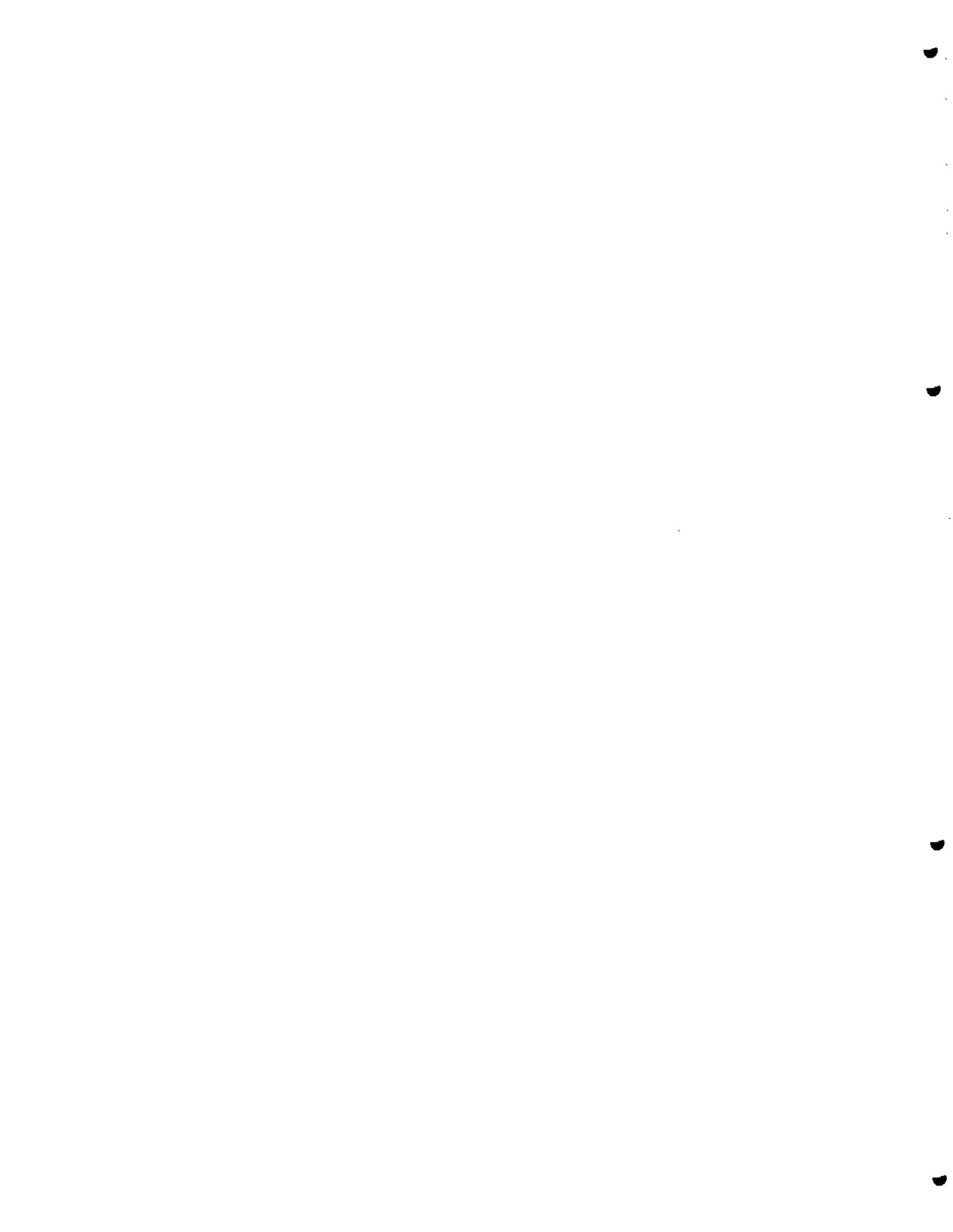


**ITAWAMBA COUNTY SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**



**ITAWAMBA COUNTY SCHOOL DISTRICT  
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JUNE 30, 2008**

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

Superintendent and School Board  
Itawamba County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2008, which collectively comprise the Itawamba County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Itawamba County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District at June 30, 2008, 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 May 17, 2010, on our consideration of the Itawamba County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Schedules and corresponding notes on pages 39 through 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Brauer, Van Stuy & Co. P.A*

May 17, 2010  
Booneville, Mississippi

**ITAWAMBA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Itawamba County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Net Assets increased \$319,157 which is an increase of 1.7 % from fiscal year 2007. This increase was due mainly to an increase in revenues.

Revenues	2008	%	2007	%
<b>General</b>				
Tax levies	\$ 4,681,802	16.41%	\$ 4,591,980	16.73%
Unrestricted federal and state revenue	18,394,130	64.47%	17,361,091	63.26%
Other	147,652	0.52%	73,654	0.27%
<b>Total General Revenues</b>	<b>23,223,584</b>		<b>22,026,725</b>	
<b>Program</b>				
Charges for services	1,348,134	4.73%	1,511,244	5.51%
Operating grants	3,840,525	13.46%	3,772,104	13.74%
Capital grants	117,855	0.41%	135,638	0.49%
<b>Total Program Revenues</b>	<b>5,306,514</b>		<b>5,418,986</b>	
<b>Total Revenues</b>	<b>\$ 28,530,098</b>	<b>100.00%</b>	<b>\$ 27,445,711</b>	<b>100.00%</b>

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

**Governmental Funds:**

General Funds	Revenues	Expenditures	Fund Balance
2008	\$ 22,748,947	\$ 23,370,789	\$ 1,131,171
2007	\$ 21,668,397	\$ 20,450,238	\$ 3,224,302
Net Change	\$ 1,080,550	\$ 2,920,551	\$ (2,093,131)

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

Capital Assets, net of accumulated depreciation	2008	2007	Net Change
	\$ 30,373,119	\$ 29,300,396	1,072,723

The increase in net value of capital assets resulted mainly from construction in progress.

Long-term Debt	2008	2007	Net Change
	\$ 13,335,342	\$ 14,652,767	\$ (1,317,425)

**ITAWAMBA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-38 of this report.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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 schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on page 36-37 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found on page 42 of this report and a Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds on page 43. Statements of Revenues, Expenditures and Changes in Fund Balances – Last Four Years for the General Fund and All Governmental Funds, required by the Mississippi Department of Education can be found on pages 44 and 45

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$18,853,306 as of June 30, 2008.

By far the largest portion of the District's net assets, 92% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Capital assets percentage of total assets is 88%.

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 at June 30, 2008 compared to the corresponding amounts at June 30, 2007:

	2008	2007	% Change
Current assets	\$ 4,114,527	\$ 5,845,905	-30%
Capital assets, net	30,373,119	29,300,396	4%
<b>Total assets</b>	<b>34,487,646</b>	<b>35,146,301</b>	<b>-2%</b>
Current liabilities	2,298,998	1,997,931	15%
Long-term debt outstanding	13,335,342	14,652,767	-9%
<b>Total liabilities</b>	<b>15,634,340</b>	<b>16,650,698</b>	<b>-6%</b>
Net assets:			
Capital assets, net	17,353,119	14,970,396	16%
Restricted	707,553	623,445	13%
Unrestricted	792,634	2,901,762	-73%
<b>Total net assets</b>	<b>\$ 18,853,306</b>	<b>\$ 18,495,603</b>	<b>2%</b>

**ITAWAMBA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

The principal retirement of long term debt: \$1,317,425

Additions to capital assets and improvements: \$1,973,118

**Changes in net assets.** The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 compared to 2007.

	2008	2007	% Change
<b>Revenues:</b>			
Program revenues			
Tax levies	4,681,802	4,591,980	2%
Unrestricted federal & state revenue	18,394,130	17,361,091	6%
Other	147,652	73,654	100%
Total	<u>23,223,584</u>	<u>22,026,725</u>	5%
General revenues			
Charges for service	1,348,134	1,511,244	-11%
Operating grants and contributious	3,840,525	3,772,104	2%
Capital grants	117,855	135,638	-13%
Total	<u>5,306,514</u>	<u>5,418,986</u>	-2%
<b>Total revenues</b>	<u>28,530,098</u>	<u>27,445,711</u>	4%
<b>Expenses:</b>			
Instruction	17,979,019	16,720,994	8%
Support services	7,796,290	7,685,242	1%
Non-instructional	1,912,938	1,849,293	3%
Interest on long-term debt	522,694	662,722	-21%
<b>Total expenses</b>	<u>28,210,941</u>	<u>26,918,251</u>	5%
<b>Changes in net assets:</b>	<u>\$ 319,157</u>	<u>\$ 527,460</u>	-39%

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

**Net (Expense) Revenue**

	2008	2007	% Change
Instruction	\$ (15,352,061)	\$ (14,270,556)	8%
Support services	(6,946,705)	(6,489,505)	7%
Non-instructional	(82,967)	(76,482)	8%
Interest on long-term debt	(522,694)	(662,722)	-21%
<b>Total expenses</b>	<u>\$ (22,904,427)</u>	<u>\$ (21,499,265)</u>	7%

**ITAWAMBA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

Net cost of activities	\$	22,904,427	was financed by general revenue, which is composed of:
1) property taxes of		4,681,802	
2) state revenue of		18,221,387	
3) federal revenue of		172,743	
4) investment earnings		120,345	
5) other		27,307	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. The following table reflects fund balances for the fiscal year ending at June 30, 2008 compared to the fund balances at June 30, 2007.

	2008	2007	% Change
Unreserved/undesignated	\$ 1,131,171	\$ 3,224,302	-65%
Reserved or designated	837,719	824,448	2%
<b>Total fund balance</b>	<b>\$ 1,968,890</b>	<b>\$ 4,048,750</b>	<b>-51%</b>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**BUDGETARY HIGHLIGHTS**

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

Due to budget cuts in MAEP funding, general fund revenues were less than expected. The local revenue budget was reduced due to a shortfall in ad valorem tax collections remitted to the school district.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The table below summarizes and compares capital assets and accumulated depreciation for the fiscal year at June 30, 2008 with the corresponding amounts at June 30, 2007.

	2008	2007	% Change
Total Capital Assets	\$ 41,614,215	\$ 39,619,409	5%
Accumulated Depreciation	11,241,096	10,319,013	9%
Total Net Capital Assets	<u>\$ 30,373,119</u>	<u>\$ 29,300,396</u>	4%

Additional information of the District's capital assets can be found in Note 5 on page 28 of this report.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Debt Administration.** The table below summarizes and compares general obligation bonds and other long-term debt for the fiscal year at June 30, 2008 with the corresponding amounts at June 30, 2007.

	2008	2007	% Change
General Obligation Bonds	\$ 5,880,000	\$ 6,285,000	-6%
Other	7,455,342	8,367,767	-11%
<b>Total long-term debt</b>	<b>\$ 13,335,342</b>	<b>14,652,767</b>	<b>-9%</b>

Additional information of the District's long-term debt can be found in Note 6 on pages 29-35 of this report.

**CURRENT ISSUES**

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

The District is now committed to financial excellence. The millage has remained stable over the last few years despite funding cuts and additional mandated expenditures by the State of Mississippi. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future. Long range planning is in progress to compensate for predicted budget cuts over the next few years.

Latest enrollment figures indicate that student enrollment in the District will slightly decrease. The budget for the next fiscal year has taken into account possible budget cuts resulting in a reduction in funding.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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

ITAWAMBA COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2008

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 2)	\$ 1,774,139
Investments	1,284,639
Due from other governments	778,914
Inventories	43,402
Restricted assets (Note 4)	233,433
Capital Assets, not being depreciated, (Note 5)	
Land and Construction in Progress	2,777,747
Capital Assets, net of accumulated depreciation	
Buildings	25,682,538
Building improvements	27,166
Improvements other than buildings	527,940
Mobile equipment	1,260,615
Furniture and equipment	97,113
	34,487,646
<b>Total Assets</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	2,095,100
Unearned Revenue	50,537
Interest Payable on Long Term Debt	153,361
Long Term Liabilities (due within one year) (Note 6)	
Capital Related Liabilities	1,180,000
Long Term Liabilities (Due Beyond one year) (Note 6)	
Capital Related Liabilities	11,840,000
Non-capital Liabilities	315,342
	15,634,340
<b>Total Liabilities</b>	
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	17,353,119
Restricted net assets:	
Expendable	
School based activities	157,358
Unemployment Benefits	88,450
Debt service	464,537
Unrestricted	789,842
	18,853,306
<b>Total Net Assets</b>	\$ 18,853,306

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

ITAWAMBA COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Instruction	\$ 17,979,019	722,975	1,903,983	(15,352,061)
Support services	7,796,290	-	731,730	(6,946,705)
Noninstructional services	1,912,938	625,159	1,204,812	(82,967)
Interest on long-term debt	522,694	-	-	(522,694)
<b>Total Governmental Activities</b>	<b>28,210,941</b>	<b>1,348,134</b>	<b>3,840,525</b>	<b>(22,904,427)</b>
General Revenues:				
Taxes:				
General purpose levies				3,875,983
Debt purpose levies				805,819
Unrestricted grants and contributions				
State				18,221,387
Federal				172,743
Unrestricted investment earnings				120,345
Other				27,307
<b>Total General Revenues</b>				<b>23,223,584</b>
<b>Change in Net Assets</b>				<b>319,157</b>
Net Assets-Beginning				18,495,603
Prior Period Adjustments				38,546
Net Assets - as restated				18,534,149
<b>Net Assets-Ending</b>				<b>\$ 18,853,306</b>

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

FLAWAMBA COUNTY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2008

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Funds	Food Service	Bond Retirement Fund No. 2		
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 1,076,618	113,167	93,211	491,143	1,774,139
Investments (Note 2)	1,052,782	6,011	104,010	355,269	1,518,072
Due from other governments	371,111	700	15,915	391,188	778,914
Due from other funds (Note 3)	508,450	-	-	88,209	596,659
Inventories	-	43,402	-	-	43,402
<b>Total Assets</b>	<b>3,008,961</b>	<b>163,280</b>	<b>213,136</b>	<b>1,325,809</b>	<b>4,711,186</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued liabilities	1,789,526	64,881	-	240,638	2,095,045
Deferred revenue	-	4,015	-	46,522	50,537
Due to other funds (Note 3)	88,264	94,384	213,136	200,930	596,714
<b>Total Liabilities</b>	<b>1,877,790</b>	<b>163,280</b>	<b>213,136</b>	<b>488,090</b>	<b>2,742,296</b>
<b>FUND BALANCES</b>					
<b>Reserved for:</b>					
Inventry	-	43,402	-	-	43,402
Useremployment Benefits	-	-	-	88,450	88,450
Debt service	-	-	-	591,911	591,911
<b>Undesignated reported in:</b>					
General Fund	1,131,171	-	-	-	1,131,171
Special Revenue Funds	-	(43,402)	-	157,358	113,956
<b>Total Fund Balances</b>	<b>1,131,171</b>	<b>-</b>	<b>-</b>	<b>837,719</b>	<b>1,968,890</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,008,961</b>	<b>163,280</b>	<b>213,136</b>	<b>1,325,809</b>	<b>4,711,186</b>

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

Itawamba County School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2008

	<u>Amount</u>
Total Fund Balance--Governmental Funds	\$ 1,968,890
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities, but are not financial resources and therefore are not reported in the funds, \$ 41,614,215, net of accumulated depreciation of \$11,241,096	30,373,119
2 Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(13,335,342)
3 Accrued interest on debt is not due and payable in the current period and therefore not reported in the funds.	<u>(153,361)</u>
Total Net Asscts-Governmental Activities	<u>\$ 18,853,306</u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT  
Statement of Revenue, Expenditures, and Changes in Fund Balance -  
Governmental Funds  
For the Year Ended June 30, 2008

	Major Funds				Total Governmental Funds
	General Funds	Food Service	Bond Retirement Fund No. 2	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 4,774,679	626,757	459,795	377,184	6,238,415
State sources	17,802,575	-	6,228	1,224,339	19,033,142
Federal sources	171,693	1,254,578	-	1,832,270	3,258,541
<b>Total Revenues</b>	<b>22,748,947</b>	<b>1,881,335</b>	<b>466,023</b>	<b>3,433,793</b>	<b>28,530,098</b>
<b>Expenditures:</b>					
Instruction	14,522,745	-	-	2,877,347	17,400,092
Support services	6,569,721	112,303	-	1,030,577	7,712,601
Noninstructional services	-	1,883,290	-	2,137	1,885,427
Facilities Acquisition	1,743,331	-	-	-	1,743,331
Debt Service:					
Principal	400,000	-	280,000	630,000	1,310,000
Interest	134,992	-	208,318	226,799	570,109
<b>Total Expenditures</b>	<b>23,370,789</b>	<b>1,995,593</b>	<b>488,318</b>	<b>4,766,860</b>	<b>30,621,560</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(621,842)</b>	<b>(114,258)</b>	<b>(22,295)</b>	<b>(1,333,067)</b>	<b>(2,091,462)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	15,441	22,295	1,447,255	1,484,991
Operating transfers out	(1,484,991)	-	-	-	(1,484,991)
<b>Total Other Financing Sources(Uses)</b>	<b>(1,484,991)</b>	<b>15,441</b>	<b>22,295</b>	<b>1,447,255</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(2,106,833)</b>	<b>(98,817)</b>	<b>-</b>	<b>114,188</b>	<b>(2,091,462)</b>
<b>Fund balances, July 1, 2007</b>	<b>3,224,302</b>	<b>100,335</b>	<b>-</b>	<b>724,113</b>	<b>4,048,750</b>
<b>Prior Period Adjustments</b>	<b>13,702</b>	<b>(1,136)</b>	<b>-</b>	<b>(582)</b>	<b>11,984</b>
<b>Fund Balances, as Restated, July 1, 2007</b>	<b>3,238,004</b>	<b>99,199</b>	<b>-</b>	<b>723,531</b>	<b>4,060,734</b>
<b>Decrease in reserve for inventory</b>	<b>-</b>	<b>(382)</b>	<b>-</b>	<b>-</b>	<b>(382)</b>
<b>Fund Balances, June 30, 2008</b>	<b>\$ 1,131,171</b>	<b>-</b>	<b>-</b>	<b>837,719</b>	<b>1,968,890</b>

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

Exhibit D-1

**Itawamba County School District  
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, 2008**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (2,091,462)
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 \$1,973,118 and the depreciation expense amounted to \$924,367	1,048,751
2. Reduction of long-term liabilities are reported in the governmental funds, but not in the statement of activities.	1,310,000
3. Decrease in accrued interest payable is reported as an adjustment to interest expense in the statement of activities.	47,415
4. Net decrease in compensated absences payable is reported as an adjustment to instruction, support service and noninstructional services	7,425
5. Book value of net assets disposed of during year.	(2,590)
6. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	(382)
Change in Net Assets	<u>\$ 319,157</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2008**

**Exhibit E**

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,106
Due from other Funds	55
<b>Total Assets</b>	<u>3,161</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	<u>3,161</u>
<b>Total Liabilities</b>	<u>\$ 3,161</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(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**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board, to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Itawamba County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria included appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

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

The Authority is governed by a five member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. (see Note 11.)

**B. Basis of Presentation**

*Government-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

(1) **Summary of Significant Accounting Policies (continued)**

**Basis of Presentation**

2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues included 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:*

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

**General Fund** - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

**Food Service** - This fund is used to account for revenues and expenditures used to account for the operation of providing meals to students.

**Bond Retirement Fund No. 2** - This fund is used to account for the accumulation of resources for and payment of this debt principal, interest and related costs.

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

The school district also reports fiduciary funds in a Statement of Net Assets and Liabilities.

Additionally, the school district reports the following fund types:

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Summary of Significant Accounting Policies (continued)**

**Basis of Presentation**

**GOVERNMENTAL FUND TYPES**

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 expenditures 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 payment of, general long-term debt principal, interest and related costs.

**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.

**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 the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable to federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

(1) **Summary of Significant Accounting Policies (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

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.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursements grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time they are received from the State of Mississippi.

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

**F. Assets, liabilities, and net assets or equity.**

1. **Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are selected.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

**Investments**

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

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

Investments for the district are reported at fair market value.

**2. Receivable and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans.). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**3. Due from Other Governments**

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

**4. Inventories and Prepaid Items**

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

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

**5. Restricted Assets**

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

(1) **Summary of Significant Accounting Policies (Continued)**

6. **Capital Assets**

Capital assets, which included property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the governmental-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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.

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

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note (5) for details.

7. **Compensated Absences**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Section 25-3-93 and 25-3-95. 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.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

**8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note (6) for details.

**9. Fund Equity**

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(2) Cash and Cash Equivalents, and Investments**

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government 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) and bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,774,139 and \$3,106, respectively. The bank balance was \$2,729,720.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$2,729,720 was exposed to custodial credit risk.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(2) Cash and Cash Equivalents, and Investments (continued)**

**Investments**

As of June 30, 2008, the district had the following investments.

Investment Type	Maturities (in years)	Fair Value	Rating
Hancock Horizon Treasury Security Money Market Mutual Fund	less than 1	\$ 233,433	AAA
Goldman Sachs Financial Square Governmental Fund	less than 1	1,284,639	Aaa
<b>Total Investments</b>		<b>\$ 1,518,072</b>	

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

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

*Custodial Credit Risk-Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside part. The district does not have a formal investment policy that addresses custodial credit risk. The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had the following investments.

Issuer	Value	Investment
Goldman Sachs Financial Square Governmental Fund	\$ 1,284,639	85%
Hancock Horizon Treasury Security Money Market Mutual Fund	233,433	15%

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(3) Interfund Receivables, Payables and Transfers**

The following is a summary of interfund transactions and balances:

Due From/To Other Funds:

	<u>Reason</u>	<u>Due From</u>	<u>Due To</u>
Governmental Funds			
General Fund	Temporary Loan	\$ 508,450	88,264
Food Service	Temporary Loan		94,384
Bond Retirement Fund No. 2	Temporary Loan		213,136
Other Governmental Funds	Temporary Loan	88,209	200,930
		<u>596,659</u>	<u>596,714</u>
Fiduciary Funds	Temporary Loan	55	
Total Funds		<u>\$ 596,714</u>	<u>596,714</u>
Transfers In/Out		<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds			
General Fund	Support	\$	1,484,991
Food Service	Support	15,441	
Bond Retirement Fund No. 2	Support	22,295	
Other Governmental Funds	Support	1,447,255	
Total Funds		<u>\$ 1,484,991</u>	<u>1,484,991</u>

**(4) Restricted Assets**

The restricted assets represent the investment balance, totaling \$233,433, of the MAEP Limited Obligation Bond/Note Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(5) Capital Assets**

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

	Balance 7/1/2007	Additions	Retirements	Completed Cosntruction	Adjustments	Balance 6/30/2008
<b>Non-depreciable capital</b>						
<u>Assets</u>						
Land	\$ 1,161,634	-	-	-	-	1,161,634
Construction in Progress	38,204	1,743,331	-	(165,422)	-	1,616,113
<b>Total non-depreciable</b>	<b>1,199,838</b>	<b>1,743,331</b>	<b>-</b>	<b>(165,422)</b>		<b>2,777,747</b>
<b>Depreciable capital assets:</b>						
Buildings	33,281,226	-	-	51,520	-	33,332,746
Building Improvements	39,950	-	-	-	-	39,950
Improvements other than buildings	1,014,698	-	-	113,902	-	1,128,600
Mobile equipment	3,461,595	224,395	(9,250)	-	-	3,676,740
Furniture and equipment	622,102	5,392	-	-	30,938	658,432
<b>Total depreciable capital assets</b>	<b>38,419,571</b>	<b>229,787</b>	<b>(9,250)</b>	<b>165,422</b>	<b>30,938</b>	<b>38,836,468</b>
<b>Less accumulated depreciation for:</b>						
Buildings	7,008,073	642,135	-	-	-	7,650,208
Building improvements	11,186	1,598	-	-	-	12,784
Improvements other than buildings	562,319	38,341	-	-	-	600,660
Mobile equipment	2,220,194	202,591	(6,660)	-	-	2,416,125
Furniture and equipment	517,241	39,702	-	-	4,376	561,319
<b>Total accumulated depreciation</b>	<b>10,319,013</b>	<b>924,367</b>	<b>(6,660)</b>	<b>-</b>	<b>4,376</b>	<b>11,241,096</b>
<b>Total depreciable capital assets, net</b>	<b>28,100,558</b>	<b>(694,580)</b>	<b>(2,590)</b>	<b>165,422</b>	<b>26,562</b>	<b>27,595,372</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 29,300,396</b>	<b>1,048,751</b>	<b>(2,590)</b>	<b>-</b>	<b>26,562</b>	<b>30,373,119</b>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 591,609
Support services	306,639
Non-instructional	26,119
<b>Total depreciation expense</b>	<b>\$ 924,367</b>

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(5) Capital Assets (continued)**

Commitments under construction contracts at June 30, 2008, are summarized as follows:

Governmental Activities	Spent to June 30, 2008	Remaining Commitment
IAHS Football Field	\$ 479,834	\$ 1,429,005
Dorsey Gym Addition	487,685	2,839
Mantachie Cafeteria	528,359	572,632
Tremont PE Building	120,235	8,074
<b>Total</b>	<b>\$ 1,616,113</b>	<b>\$ 2,012,550</b>

Construction projects included in governmental activities are funded with District Maintenance funds.

**(6) Long-term liabilities**

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due within one year
A. General obligation bonds payable	\$ 6,285,000	-	405,000	5,880,000	425,000
B. Limited obligation bonds payable	4,800,000	-	310,000	4,490,000	325,000
C. Certificates of participation payable	3,050,000	-	400,000	2,650,000	430,000
D. Three mill notes payable	195,000	-	195,000	-	-
E. Compensated absences payable	322,767	-	7,425	315,342	-
	<b>\$ 14,652,767</b>	<b>-</b>	<b>1,317,425</b>	<b>13,335,342</b>	<b>1,180,000</b>

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(6) Long-term liabilities (continued)**

**A. General obligation bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds, Series 2002	2.75-3.75%	12/1/2002	12/1/2010	\$ 1,000,000	410,000
General Obligation Bonds, Series 2003	3-25-4.0%	4/1/2003	4/1/2019	6,700,000	5,470,000
<b>Total</b>				<u><u>\$ 7,700,000</u></u>	<u><u>5,880,000</u></u>

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

1. Bond issue of 12-1-02

Year Ending June 30,	Principal	Interest	Total
2009	\$ 130,000	12,263	142,263
2010	140,000	7,700	147,700
2011	140,000	2,625	142,625
	<u><u>\$ 410,000</u></u>	<u><u>22,588</u></u>	<u><u>432,588</u></u>

This debt will be retired from the Bond Retirement Fund No 1.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

(6) **Long-term liabilities (continued)**

2. Bond issue of 4-1-03

Year Ending June 30,	Principal	Interest	Total
2009	\$ 295,000	194,358	489,358
2010	305,000	184,033	489,033
2011	325,000	173,358	498,358
2012	480,000	161,983	641,983
2013	505,000	146,383	651,383
2014-2018	2,900,000	453,787	3,353,787
2019	660,000	25,080	685,080
	<u>\$ 5,470,000</u>	<u>\$ 1,338,982</u>	<u>\$ 6,808,982</u>

This debt will be retired from the Bond Retirement Fund No 2.

Total general obligation bond payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 425,000	206,621	631,621
2010	445,000	191,733	636,733
2011	465,000	175,983	640,983
2012	480,000	161,983	641,983
2013	505,000	146,383	651,383
2014-2018	2,900,000	453,787	3,353,787
2019	660,000	25,080	685,080
	<u>\$ 5,880,000</u>	<u>1,361,570</u>	<u>7,241,570</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(6) Long-term liabilities (continued)**

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). 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 Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 4.80% of property assessments as of October 1, 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 improvements					
Series 1998	4.3-6.1%	3/01/1998	3/01/2018	\$ 6,500,000	4,490,000
Total				<u>\$ 6,500,000</u>	<u>4,490,000</u>

Details of the district's June 30, 2008 limited obligation bonds indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 325,000	193,003	518,003
2010	340,000	178,705	518,705
2011	355,000	163,585	518,585
2012	375,000	147,525	522,525
2013	390,000	130,500	520,500
2014-2018	2,705,000	366,302	3,071,302
	<u>\$ 4,490,000</u>	<u>1,179,620</u>	<u>5,669,620</u>

This debt will be retired from the MAEP Debt Retirement Fund.

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

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

(6) **Long-term liabilities (continued)**

C. Certificates of participation payable.

As more fully explained in Note 11, Certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust certificate, Series 1993	4.1-5.8%	9/15/1993	9/15/2008	\$ 940,000	90,000
Trust certificate, Series 1997	4.5-6.4%	8/01/1997	8/01/2009	1,265,000	275,000
Trust certificate, Series 1998	4.5-5.7%	6/01/1998	6/01/2018	1,300,000	810,000
Trust certificate, Series 2001	3.1-4.8%	10/01/2001	10/01/2016	2,200,000	1,475,000
<b>Total</b>				<u>\$ 5,705,000</u>	<u>2,650,000</u>

Details of the district's June 30, 2008 certificates of participation are as follows:

1. Certificates of participation issued 9-15-93

Year Ending June 30,	Principal	Interest	Total
2009	\$ 90,000	23,440	113,440
	<u>\$ 90,000</u>	<u>23,440</u>	<u>113,440</u>

This debt will be retired from the District Maintenance Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(6) Long-term liabilities (continued)**

2. Certificates of participation issued 8-1-97

Year Ending June 30,	Principal	Interest	Total
2009	135,000	9,338	144,338
2010	140,000	3,050	143,050
	<u>\$ 275,000</u>	<u>12,388</u>	<u>287,388</u>

This debt will be retired from the District Maintenance Fund.

3. Certificates of participation issued 6-1-98

Year Ending June 30,	Principal	Interest	Total
2009	\$ 65,000	39,054	104,054
2010	70,000	36,048	106,048
2011	70,000	32,758	102,758
2012	75,000	29,433	104,433
2013	80,000	25,870	105,870
2014-2018	450,000	68,580	518,580
	<u>\$ 810,000</u>	<u>231,743</u>	<u>1,041,743</u>

This debt will be retired from the District Maintenance Fund.

4. Certificates of participation issued 10-1-01

Year Ending June 30,	Principal	Interest	Total
2009	\$ 140,000	63,180	203,180
2010	145,000	57,265	202,265
2011	150,000	50,958	200,958
2012	155,000	44,285	199,285
2013	160,000	37,315	197,315
2014-2018	725,000	70,398	795,398
	<u>\$ 1,475,000</u>	<u>323,401</u>	<u>1,798,401</u>

This debt will be retired from the District Maintenance Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(6) Long-term liabilities (continued)**

Total certificates of participation for all issues.

Year Ending June 30,	Principal	Interest	Total
2009	430,000	113,912	543,912
2010	355,000	96,363	451,363
2011	220,000	83,716	303,716
2012	230,000	73,718	303,718
2013	240,000	63,185	303,185
2014-1018	1,175,000	138,978	1,313,978
	<u>\$ 2,650,000</u>	<u>569,872</u>	<u>3,219,872</u>

**D. Three-mill notes payable.**

This note was retired in June 2008 and there is no debt currently outstanding.

**E. Compensated Absences Payable**

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

**(7) Other Commitments**

Commitments under construction contracts are described in Note 5.

**(8) 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, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2008, was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(8) Defined Benefit Pension Plan (continued)**

Amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$1,909,227, \$1,735,679, and \$1,590,795, respectively, which equaled the required contributions for each year.

**(9) Prior Period Adjustments**

A summary of significant fund equity adjustments is as follows:

Explanation(s)	Statement of Activities	Statement of Revenues, Expenditures, and Fund Balance
1 To correct for 2007 payables	\$ 10,566	\$ 10,566
2 To correct posting errors	1,418	1,418
3 Purchase of equipment	26,562	-
Totals	<u>\$ 38,546</u>	<u>\$ 11,984</u>

**(10) 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 School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in the trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance, which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(11) Trust Certificates**

A trust agreement dated September 15, 1993, was executed by and between the school district and the Itawamba County Leasing Authority, with the People's Bank of Biloxi, Mississippi, as trustee.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$940,000. The proceeds are to be used for capital improvements within the school district.

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

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

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

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

It is not anticipated the projects will have sufficient value to satisfy the certificates in the event the school district defaults under the leases; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

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

**(12) Contingencies**

**Federal Grants.** - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulation, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district. As of June 30, 2008, the single audit performed on these federal grants disclosed a material instance of noncompliance, as reported in the Schedule of Findings and Questioned Costs. Any disallowance by the grantor

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(12) Contingencies (continued)**

agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

**Litigation.**

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

An employee was terminated and has filed a complaint with the Equal Employment Opportunity Commission alleging racial and disability discrimination.

A student got into a physical altercation with another student causing minimal medical damages to the student. The injured student has hired an attorney and filed notice with the District alleging negligence on the part of the District for lack of supervision.

**Itawamba County School District  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended June 30, 2008**

	Original	Final	Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
<b>Revenue:</b>					
Local Sources	\$ 4,881,735	4,831,579	4,774,679	(50,156)	(56,900)
State Sources	17,859,841	17,837,185	17,802,575	(22,656)	(34,610)
Federal Sources	97,000	118,516	171,693	21,516	53,177
<b>Total Revenues</b>	<b>22,838,576</b>	<b>22,787,280</b>	<b>22,748,947</b>	<b>(51,296)</b>	<b>(38,333)</b>
<b>Expenditures:</b>					
Instruction	14,663,682	14,457,668	14,522,745	206,014	(65,077)
Support Services	6,706,973	6,567,842	6,569,721	139,131	(1,879)
Facilities Acquisition and Construction	25,000	1,302,491	1,743,331	(1,277,491)	(440,840)
Debt Service:					
Principal	455,000	400,000	400,000	55,000	-
Interest	132,542	134,991	134,992	(2,449)	(1)
<b>Total Expenditures</b>	<b>21,983,197</b>	<b>22,862,992</b>	<b>23,370,789</b>	<b>(879,795)</b>	<b>(507,797)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>855,379</b>	<b>(75,712)</b>	<b>(621,842)</b>	<b>(931,091)</b>	<b>(546,130)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of transportation equipment	-	-	-	-	-
Operating Transfers In	580,501	2,292,775	-	1,712,274	(2,292,775)
Operating Transfers Out	(1,603,626)	(3,765,429)	(1,484,991)	(2,161,803)	2,280,438
Other Sources	-	5,248	-	5,248	(5,248)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,023,125)</b>	<b>(1,467,406)</b>	<b>(1,484,991)</b>	<b>(444,281)</b>	<b>(17,585)</b>
<b>Net Change in Fund Balance</b>	<b>(167,746)</b>	<b>(1,543,118)</b>	<b>(2,106,833)</b>	<b>(1,375,372)</b>	<b>(563,715)</b>
<b>Fund Balances</b>					
July 1, 2007	2,522,542	3,114,545	3,224,302	592,003	109,757
Prior Period Adjustment	-	-	13,702	-	13,702
July 1, 2007, as restated	2,522,542	3,114,545	3,238,004	592,003	123,459
Direct Adjustment	-	121,645	-	121,645	(121,645)
June 30, 2008	<u>\$ 2,354,796</u>	<u>1,693,072</u>	<u>1,131,171</u>	<u>(661,724)</u>	<u>(561,901)</u>

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

**Itawamba County School District**  
**Budgetary Comparison Schedule for the Food Service Fund**  
**For the Year Ended June 30, 2008**

	Original	Final	Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
<b>Revenue:</b>					
Local Sources	\$ 741,251	627,457	626,757	(113,794)	(700)
State Sources	10,000	-	-	(10,000)	-
Federal Sources	1,070,000	1,247,968	1,254,578	177,968	6,610
<b>Total Revenues</b>	<b>1,821,251</b>	<b>1,875,425</b>	<b>1,881,335</b>	<b>54,174</b>	<b>5,910</b>
<b>Expenditures:</b>					
Support Services	102,033	105,799	112,303	(3,766)	(6,504)
Noninstructional Services	1,744,133	1,879,247	1,883,290	(135,115)	(4,043)
Facilities Acquisition and Construction		6,504	-	(6,504)	6,504
<b>Total Expenditures</b>	<b>1,846,166</b>	<b>1,991,550</b>	<b>1,995,593</b>	<b>(145,384)</b>	<b>(4,043)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(24,915)</b>	<b>(116,125)</b>	<b>(114,258)</b>	<b>(91,210)</b>	<b>1,867</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In		12,653	15,441	12,653	2,788
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>12,653</b>	<b>15,441</b>	<b>12,653</b>	<b>2,788</b>
<b>Net Change in Fund Balance</b>	<b>(24,915)</b>	<b>(103,472)</b>	<b>(98,817)</b>	<b>(78,557)</b>	<b>4,655</b>
<b>Fund Balances</b>					
July 1, 2007	79,924	106,427	100,335	26,503	(6,092)
Prior Period Adjustment		-	(1,136)		(1,136)
July 1, 2007, as restated	79,924	106,427	99,199	26,503	(7,228)
Direct Adjustment		(2,408)		(2,408)	2,408
Decrease in Reserve for Inventory		0	(382)		(382)
<b>June 30, 2008</b>	<b>\$ 55,009</b>	<b>547</b>	<b>-</b>	<b>(54,462)</b>	<b>(547)</b>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Basis of Presentation**

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

**(2) Budget amendments and revisions**

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

**ITAWAMBA COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

Schedule 3

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Passed through the Mississippi Department of Education		
Child Nutrition Cluster:		
School breakfast program	10.553	366,100
National school lunch program	10.555	946,196
Total Nutrition Cluster		<u>1,312,296</u>
Total Passed-through Mississippi Department of Education		<u>1,312,296</u>
Total U.S. Department of Agriculture		<u>1,312,296</u>
<b>Federal Communications Commission</b>		
Passed-through the Universal Service Administrative Company		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	53,177
<b>Total Federal Communications Commission</b>		<u>53,177</u>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Rehabilitation:		
Special Education Cluster		
Special Education - Grants to States	84.027	800,531
Special Education - Preschool Grants	84.173	52,044
Total Special Education Cluster		<u>852,575</u>
Title I grants to local education agencies	84.010	757,924
Career and technical education - basic grants to states	84.048	34,677
Safe and drug-free schools and communities-state grants	84.186	16,958
Innovative programs state grants	84.298	5,553
Education technology state grants	84.318	7,372
Improving teacher quality - state grants	84.367	181,737
Total Passed Through Mississippi Department of Education		<u>1,856,796</u>
Total U. S. Department of Education		<u>1,856,796</u>
<b>Total for All Federal Awards</b>		<u><u>\$ 3,222,269</u></u>

Notes to Schedule

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

**Itawamba County School District**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2008**

Schedule 4

<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	\$ 21,790,596	17,345,078	587,523	1,512,341	2,345,654
Other	8,830,964	1,982,881	168,314	132,549	6,547,220
Total	<u>\$ 30,621,560</u>	<u>19,327,959</u>	<u>755,837</u>	<u>1,644,890</u>	<u>8,892,874</u>
Total number of students*	<u>3,471</u>				
Cost per student	<u>\$ 8,822</u>	<u>5,568</u>	<u>218</u>	<u>474</u>	<u>2,562</u>

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

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

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

**School Administration**---includes expenditures for the functions Support Services -- School Administration (2400s)

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

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

**Itawamba County School District  
Statement of Revenues, Expenditures and Changes in Fund Balance-  
General Fund  
Last Four Years**

**UNAUDITED**

<b>Revenues</b>	<b>2008</b>	<b>2007*</b>	<b>2006*</b>	<b>2005*</b>
Local sources	\$ 4,774,679	4,807,553	4,595,276	4,527,779
State sources	17,802,575	16,715,980	16,150,104	15,197,891
Federal sources	171,693	144,864	138,036	150,866
<b>Total Revenues</b>	<b>22,748,947</b>	<b>21,668,397</b>	<b>20,883,416</b>	<b>19,876,536</b>
<b>Expenditures</b>				
Instruction	14,522,745	13,574,322	12,858,379	12,111,851
Support services	6,569,721	6,303,478	5,774,725	5,559,775
Facilities acquisition and Construction	1,743,331	38,204	-	103,469
Debt Service:				
Principal	400,000	380,000	370,000	350,000
Interest	134,992	154,234	170,245	185,286
<b>Total Expenditures</b>	<b>23,370,789</b>	<b>20,450,238</b>	<b>19,173,349</b>	<b>18,310,381</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(621,842)</b>	<b>1,218,159</b>	<b>1,710,067</b>	<b>1,566,155</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Other Property	-	285	-	1,937
Operating transfers in	-	29,928	14,411	1,599,493
Operating transfers out	(1,484,991)	(1,280,028)	(1,052,493)	(2,512,171)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,484,991)</b>	<b>(1,249,815)</b>	<b>(1,038,082)</b>	<b>(910,741)</b>
<b>Net Change in Fund Balance</b>	<b>(2,106,833)</b>	<b>(31,656)</b>	<b>671,985</b>	<b>655,414</b>
<b>Fund Balances, July 1</b>	<b>3,224,302</b>	<b>3,257,704</b>	<b>2,585,719</b>	<b>1,930,305</b>
<b>Prior Period Adjustment</b>	<b>13,702</b>	<b>(1,746)</b>	<b>-</b>	<b>-</b>
<b>Fund Balances as Restated</b>	<b>3,238,004</b>	<b>3,255,958</b>	<b>2,585,719</b>	<b>1,930,305</b>
<b>Fund Balance, June 30</b>	<b>\$ 1,131,171</b>	<b>\$ 3,224,302</b>	<b>\$ 3,257,704</b>	<b>\$ 2,585,719</b>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**Itawamba County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**All Governmental Funds**  
**Last Four Years**

UNAUDITED

<b>Revenues</b>	<b>2008</b>	<b>2007*</b>	<b>2006*</b>	<b>2005*</b>
Local sources	\$ 6,238,415	6,249,726	5,963,281	5,860,309
State sources	19,033,142	17,909,282	17,352,408	16,371,434
Federal sources	3,258,541	3,286,553	3,343,403	2,819,429
<b>Total Revenues</b>	<b>28,530,098</b>	<b>27,445,561</b>	<b>26,659,092</b>	<b>25,051,172</b>
<b>Expenditures</b>				
Instruction	17,400,092	16,093,272	15,435,097	14,346,535
Support services	7,712,601	7,640,082	6,905,020	6,707,309
Noninstructional services	1,885,427	1,824,266	1,766,724	1,642,827
Facilities acquisition and Construction	1,743,331	38,204	-	254,490
Debt Service:				
Principal	1,310,000	1,255,000	1,220,000	1,155,000
Interest	570,109	632,828	687,934	738,658
<b>Total Expenditures</b>	<b>30,621,560</b>	<b>27,483,652</b>	<b>26,014,775</b>	<b>24,844,819</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(2,091,462)</b>	<b>(38,091)</b>	<b>644,317</b>	<b>206,353</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Other Property	-	285	-	1,937
Operating transfers in	1,484,991	1,309,956	1,066,904	2,531,062
Operating transfers out	(1,484,991)	(1,309,956)	(1,066,904)	(2,531,062)
Other uses	-	-	-	(2,225)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>285</b>	<b>-</b>	<b>(288)</b>
<b>Net Change in Fund Balance</b>	<b>(2,091,462)</b>	<b>(37,806)</b>	<b>644,317</b>	<b>206,065</b>
<b>Fund Balances, July 1</b>	<b>4,048,750</b>	<b>4,085,828</b>	<b>3,451,274</b>	<b>3,230,052</b>
<b>Prior Period Adjustment</b>	<b>11,984</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances as Restated</b>	<b>4,060,734</b>	<b>4,085,828</b>	<b>3,451,274</b>	<b>3,230,052</b>
<b>Increase (Decrease) in Reserve for Inventory</b>	<b>(382)</b>	<b>728</b>	<b>(9,763)</b>	<b>15,157</b>
<b>Fund Balance, June 30</b>	<b>\$ 1,968,890</b>	<b>4,048,750</b>	<b>4,085,828</b>	<b>3,451,274</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS



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

Superintendent and School Board  
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2008, which collectively comprise the Itawamba County School District's basic financial statements and have issued our report thereon dated May 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of 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 Cost as Finding 2008-1 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated May 17, 2010, which is included in this report.

Itawamba County School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Itawamba County School District's response and, accordingly, we express no opinion on it.

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.

*Brauer, Vanotay & Co. P.A.*

May 17, 2010  
Booneville, Mississippi



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

Superintendent and School Board  
Itawamba County School District

Compliance

We have audited the compliance of the Itawamba County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Itawamba County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion Itawamba County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

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

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

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 program 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. We consider the deficiency in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-2 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the significant deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-2 to be a material weakness.

The Itawamba County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Itawamba School District's response and, accordingly, we express no opinion on it.

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

*Braun, Vanstey - Co. P.A.*

May 17, 2010  
Booneville, Mississippi



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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board  
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2008, which collectively comprise the Itawamba County School District's basic financial statements, and have issued our report thereon dated May 17, 2010. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,979 of classroom supply funds carried over from previous years.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed the following instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in Finding Number 1 below.

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

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

Finding 1.

The District improperly coded Master Teacher State revenue as an expenditure reduction.

Recommendation:

We recommend that strict attention be paid to the coding of revenues and expenditures to insure they are correct and appropriate.

Your response:

In the past, master teacher payments and receipts have consistently been coded to expense accounts resulting in zero expense. In the future, this receipt will be coded to the revenue account suggested by the auditor.

Finding 2:

One retired employee who was rehired by the District, was paid \$340 more than allowed by law as noted on Form 4-B.

Recommendation:

We recommend that salaries be monitored more closely to not exceed that which is allowed by law as noted on Form 4-B.

Your response:

The retired employee in question was first briefly employed as a substitute and later in the year was hired as a part time tutor. When she was rehired later in the year as a part time tutor, the earlier substitute earnings were not taken into account when calculating earning limitations. Procedures will be implemented to set earnings limits for retired employees.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Itawamba County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

*Brauner, VanSteen & Co. P.A.*

May 17, 2010  
Booneville, Mississippi

**ITAWAMBA COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

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

**Federal Awards:**

- |    |   |             |
|----|---|-------------|
| 4. | Type of auditors' report issued on compliance for major federal programs:                 | Unqualified |
|    | Internal control over major programs:   |             |
| a. | Material weakness(es) identified?   | No          |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |
| 5. | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133?       | No          |
| 6. | Federal programs identified as major programs:  |             |
|    | Cluster: Special Education Cluster  |             |
|    | CFDA #84.027  |             |
|    | CFDA #84.173  |             |
|    | Title I Grants to Local Education Agencies  |             |
|    | CFDA #84.010  |             |
|    | Improving Teacher Quality   |             |
|    | CFDA #84.367  |             |

**ITAWAMBA COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section 1: Summary of Auditors' Results (Continued)**

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

**Section 2: Financial Statement Findings**

**Significant Deficiency Not Considered to be a Material Weakness - Internal Controls**

**Finding 2008-1**

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

1. Employment contract was incorrectly calculated for one employee.
2. Activity Fund receipts were not well documented. Five of the thirty five items tested had poorly organized documentation and two items had no documentation at all, therefore making it difficult to determine if all funds had been properly reported.

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

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

**Recommendations:**

Employment contracts should be calculated using the proper information.  
People in charge of activity receipts should be instructed as to the proper documentation to include on the receipts.

**Response:**

1. The District makes an effort to calculate all employee pay correctly. This incident occurred with a retired employee who is employed for two periods each day. The district will implement further check procedures to prevent errors in future manually calculated earnings.
2. Each school secretary is responsible for maintaining receipts and documents supporting activity receipts. The supporting documents are then sent to the county office. The business office will implement procedures recommended by the auditors to make sure all activity receipts are properly documented and receipted by individual school secretaries.

**ITAWAMBA COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section 3: Federal Award Findings and Question Costs**

**Finding 2008-2**

CFDA # 84.367 Improving Teacher Quality

Significant Deficiency Not considered to be a material weakness- Internal Control

Internal controls were not in place to prevent the district from paying employees which are not specifically allowed by the program.

Condition: Failure to prevent the payment of substitute teachers with Improving Teacher Quality funds.

Criteria: Per the approved spending plan, the district is required to pay highly qualified teachers.

Cause: Failure to read and understand the types of expenditures allowed under the grant.

Effect: By not understanding the allowable expenditures, the district will pay employees that should not be paid, thus overspending grant funds.

**Recommendation:**

Carefully read and understand the types of expenditures to be made with Improving Teacher Quality funds.



