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KEMPER COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

KEMPER COUNTY SCHOOL DISTRICT

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KEMPER COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

Windham and Lacey, PLLC

Certified Public Accountants

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Mississippi Society of CPAs

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

Superintendent and School Board
Kemper 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 Kemper County School District as of and for the year ended June 30, 2008, which collectively comprise the Kemper County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kemper 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper County School District, as of 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 August 13, 2009, on our consideration of the Kemper 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 4 through 13and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kemper 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.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
August 13, 2009

KEMPER COUNTY SCHOOL DISTRICT

The discussion and analysis of Kemper 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

- Total net assets increased $143,123, which represents 3% increase from fiscal year 2007. Total net assets for 2007 decreased $513,955, which represents 11% decrease from fiscal year 2006.

- General revenues account for $8,197,439 and $7,635,000 in revenue, or 74% and 70% of all revenues for fiscal years 2008 and 2007 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $2,845,343 or 26% of total revenues for 2008 and $3,323,224 or 30% of total revenues for 2007.

- The District had $11,218,582 and $11,473,757 in expenses for fiscal years 2008 and 2007; only $2,845,343 for 2008 and $3,323,224 for 2007 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $8,197,439 for 2008 and $7,635,000 for 2007, and beginning net assets, were adequate to provide for these programs.

- Among major funds, the General Fund had $7,516,539 in revenues and $7,670,306 in expenditures for 2008 and $7,248,316 in revenues and $7,344,937 in expenditures in 2007. The General Fund's fund balance decreased by $67,975 from 2007 to 2008 and decreased $19,388 from 2006 to 2007.

- Capital assets, net of accumulated depreciation, increased by $117,527 for 2008 and decreased by $179,481 for 2007. The increase for 2008 was due to current year additions in purchases and adjustments increasing at a greater rate than depreciation expense.

- Long-term debt decreased by $146,761 for 2008 and decreased by $136,761 for 2007. This decrease was due to the annual payment on long-term debt outstanding. In addition, the liability for compensated absences increased by $4,688 for 2008 and decreased by $1,365 for 2007. The District issued no new debt during the fiscal year ending 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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.

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.

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 immediately following the basic financial statements.

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.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found in this report. Also, four year statements of revenues, expenditures and changes in fund balances are presented for the general fund and all governmental funds as other supplemental information as required by the Mississippi Department of Education.

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 $4,311,504 as of June 30, 2008.

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.

Table 1 presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and June 30, 2007.

Table 1
Condensed Statement of Net Assets

		6/30/2008	6/30/2007	Total Percentage Change
Current and other assets	$	1,609,753	1,635,055	-1.55%
Capital assets, net		5,027,583	4,910,056	2.39%
Total assets		6,637,336	6,545,111	-2.14%
Current and other liabilities		523,141	431,966	21.11%
Long-term debt outstanding		1,802,691	1,944,764	-7.31%
Total liabilities		2,325,832	2,376,730	-2.14%
Net assets:				
Invested in capital assets, net of related debt		3,302,583	3,050,056	8.28%
Restricted		1,135,164	1,098,902	3.30%
Unrestricted		-126,243	19,423	-749.97%
Total net assets	$	4,311,504	4,168,381	3.43%

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

- Increase in capital assets in the amount of $117,527
- The principal retirement of $146,761 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were $11,042,782 and $10,958,224, respectively. The total cost of all programs and services for 2008 was $11,218,582 and $11,473,757 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

Table 2
Change(s) in Net Assets

	6/30/2008	6/30/2007	Total Percentage Change
Program revenues:			
Charges for services	$ 226,288	$ 295,667	-23.47%
Operating grants and contributions	2,617,823	3,027,557	-13.53%
Capital grants and contributions	1,232		100.00%
General revenues:			
Property taxes	1,225,935	1,193,736	2.70%
Grants and contributions not restricted	6,344,128	6,058,365	4.72%
Other	627,376	382,899	63.85%
Total revenues	11,042,782	10,958,224	0.77%
Expenses:			
Instruction	6,140,286	6,233,073	1.43%
Support services	4,106,761	4,131,341	0.63%
Non-instructional	767,475	887,044	13.71%
Sixteenth section	104,360	107,317	2.76%
Interest and other expenses on long-term liabilities	99,700	112,470	11.35%
Other Debt Service		2,512	100.00%
Total expenses	11,218,582	11,473,757	-2.22%
Decrease in net assets	(175,800)	(515,533)	65.90%
Fund Balance			
July 1	4,168,381	4,682,336	10.98%
prior period adjustments	318,923	1,578	-20,110.58%
June 30	$ 4,311,504	$ 4,168,381	-3.43%

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

Table 3
Net Cost of Governmental Activities

	Total expenses		Total Percentage Change
	2008	**2007**	**2007-2008**
Instruction	$ 6,140,286	$ 6,233,073	-1.49%
Support services	4,106,761	4,131,341	-0.63\\59%
Non-instructional	767,475	887,044	-13.48%
Sixteenth section	104,360	107,317	-2.76%
Interest and other expenses on long-term liabilities	99,700	112,470	-11.35%
Other debt service		2,512	-100.00%
Total expenses	$ 11,218,582	$ 11,473,757	-2.22%

	Net (Expense) Revenue		Total Percentage Change
	2008	**2007**	**2007-2008**
Instruction	$ (4,864,388)	$ (4,797,023)	1.49%
Support services	(3,369,057)	(3,070,883)	9.66%
Non-instructional	64,266	(98,298)	-167.41%
Sixteenth section	(104,360)	(69,347)	50.49%
Interest and other expenses on long-term liabilities	(99,700)	(112,470)	-208.43%
Other debt service		(2,512)	-100.00%
Total net (expense) revenue	$ (8,373,239)	$ (8,150,533)	0.01%

- Net cost of governmental activities ($8,373,239) and ($8,150,533), was financed by general revenue, which is made up of primarily property taxes ($1,225,935) for 2008 and ($1,193,736) for 2007, and state and federal revenues of ($6,344,128 for 2008 and $6,058,365 for 2007). In addition, there was $584,318 and $287,270 in Sixteenth Section sources for 2008 and 2007, respectively.

- Investment earnings accounted for $9,842 for 2008 and $31,795 for 2007 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $1,096,315, a decrease of $130,080, which includes a prior period adjustment of $17,329 and the increase in inventory of $5,614. $96,012 or 9% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $1,000,303 or 91% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $67,975, which includes a prior period adjustment of $13,390. The decrease was a result of total expenses outpacing total revenues. The fund balance of Other Governmental Funds showed a decrease in the amount of $63,510, which includes a prior period adjustment of $3,939 and increase in reserve for inventory of $5,614 primarily due to operating expenditures being more than revenue received for the fiscal year. The other increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
General Fund	$ (67,975)
16th Section Principal Fund	1,405

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the school district.

- The local source of revenue was less than originally budgeted due to a reduction in the amount of local ad valorem tax collections.
- Also, the total revenues increased significantly from the original budget due to an increase in state revenues.
- Support services expenditures increased over the original budget. A significant contributing factor was due to rising fuel costs in transportation.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were $8,184,579, including land, school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of $26,319 from 2007 to 2008 and a decrease of $12,238 from 2006 to 2007. Total accumulated depreciation as of June 30, 2008, was $3,156,996, total depreciation expense for the year was $200,161, and the net adjustment to accumulated depreciation was a decrease of $289,939 resulting in total net capital assets of $5,027,583.

Table 4
Capital Assets

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	$ 25,410	25,410	0.00%
Buildings	4,399,622	4,413,159	0.31%
Improvements other than buildings	7,685		100.00%
Mobile equipment	457,976	241,425	89.70%
Furniture and equipment	136,890	230,062	-40.50%
Total	$ 5,027,583	4,910,056	2.41%

Debt Administration. At June 30, 2008, the District had $1,742,642 in long-term debt outstanding, of which $154,163 is due within one year. In addition, the liability for compensated absences increased from the prior year.

Table 5
Outstanding Long-Term Debt at June 30

	Outstanding Debt		Percentage
	2008	2007	Change
Limited obligation bonds payable	$ 1,725,000	1,860,000	-7.26%
Other loans payable	17,642	29,403	-40.00%
Compensated absences payable	60,049	55,361	8.47%
Total	$ 1,802,691	1,944,764	-7.31%

Additional information on the district's long-term debt can be found in the notes to the financial statements included in this report.

CURRENT ISSUES

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

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

Enrollment for the 2007-2008 year decreased by 10% to 1178 students.

On December 11, 2008, the district issued a tax anticipation note for $500,000 at 3.15% with a maturity date of March 27, 2009. The note has been paid as of the date of this report.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Kemper County School District, P.O. Box 219, DeKalb, MS, 39328.

KEMPER COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Kemper County School District
Statement of Net Assets
June 30, 2008

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	$	859,571
Cash with fiscal agents		38,498
Due from other governments		476,060
Other receivables, net		1,136
Inventories		31,092
Restricted assets		203,395
Capital assets, net of accumulated depreciation		
Land		25,410
Buildings		4,399,622
Improvements other than buildings		7,685
Mobile equipment		457,976
Furniture and equipment		136,890
Total Assets		6,637,336
Liabilities		
Accounts payable and accrued liabilities		11,974
Due to other funds		479,349
Unearned revenue		22,115
Interest payable on long-term liabilities		9,703
Long-term liabilities, due within one year		
Capital related liabilities		140,000
Non-capital related liabilities		14,163
Long-term liabilities, due beyond one year		
Capital related liabilities		1,585,000
Non-capital related liabilities		63,528
Total Liabilities		2,325,832
Net Assets		
Invested in capital assets, net of related debt		3,302,583
Restricted net assets:		
Expendable:		
School-based activities		174,197
Debt service		139,619
Capital improvements		54
Forestry improvements		176,496
Unemployment benefits		25,493
Permanent fund purposes		1,405
Non-expendable:		
Sixteenth section		617,900
Unrestricted		(126,243)
Total Net Assets	$	4,311,504

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

Kemper County School District
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 6,140,286	117,957	1,156,709	1,232	(4,864,388)
Support services	4,106,761		737,704		(3,369,057)
Non-instructional	767,475	108,331	723,410		64,266
Sixteenth section	104,360				(104,360)
Interest on long-term liabilities	99,700				(99,700)
Total Governmental Activities	$ 11,218,582	226,288	2,617,823	1,232	(8,373,239)

General Revenues:	
Taxes:	
General purpose levies	$ 1,225,935
Unrestricted grants and contributions:	
State	6,162,084
Federal	182,044
Unrestricted investment earnings	9,842
Sixteenth section sources	584,318
Other	33,216
Total General Revenues	8,197,439
Change in Net Assets	(175,800)
Net Assets - Beginning	4,168,381
Prior Period Adjustments	318,923
Net Assets - Beginning - Restated	4,487,304
Net Assets - Ending	$ 4,311,504

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

Kemper County School District
Balance Sheet - Governmental Funds
June 30, 2008

Exhibit C

	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 477,283	203,395	382,288	1,062,966
Cash with fiscal agents			38,498	38,498
Due from other governments	107,762		368,297	476,059
Due from other funds	215,026		55,019	270,045
Advance to other funds		415,304		415,304
Inventories			31,092	31,092
Other receivables, net		606	532	1,138
Total Assets	800,071	619,305	875,726	2,295,102
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	1,592		10,382	11,974
Due to agency funds	431,727		317,667	749,394
Advances from other funds	415,304			415,304
Unearned revenue			22,115	22,115
Total Liabilities	848,623		350,164	1,198,787
Fund Balances:				
Reserved for:				
Advances		415,304		415,304
Unemployment benefits			25,493	25,493
Forestry improvements			176,496	176,496
Inventory			31,092	31,092
Debt Service			149,322	149,322
Permanent Fund Purposes		202,596		202,596
Unreserved:				
Undesignated, reported in:				
General Fund	(48,552)			(48,552)
Special Revenue Funds			143,105	143,105
Capital Projects Funds			54	54
Permanent Funds		1,405		1,405
Total Fund Balances	(48,552)	619,305	525,562	1,096,315
Total Liabilities and Fund Balances	$ 800,071	619,305	875,726	2,295,102

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

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

Exhibit C-1

		Amount
Total Fund Balance - Governmental Funds	$	1,096,315
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $3,090,963.		5,027,583
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(1,802,691)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.		(9,703)
Total Net Assets - Governmental Activities	$	4,311,504

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

Kemper County School District

Exhibit D

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2008

	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Local sources	$ 1,394,463		83,589	1,478,052
State sources	5,974,198		520,815	6,495,013
Federal sources	147,878		2,319,058	2,466,936
Sixteenth section sources		20,680	566,101	586,781
Total Revenues	7,516,539	20,680	3,489,563	11,026,782
Instruction	4,569,842		1,488,977	6,058,819
Support services	3,077,035		913,732	3,990,767
Noninstructional services	5,876		787,572	793,448
Sixteenth section			104,360	104,360
Debt service:				
Principal			146,761	146,761
Interest	17,553		81,675	99,228
Other			2,422	2,422
Total Expenditures	7,670,306	0	3,525,499	11,195,805
Excess (Deficiency) of Revenues over Expenditures	(153,767)	20,680	(35,936)	(169,023)
Insurance loss recoveries	16,000			16,000
Operating transfers in	1,101,258		1,044,856	2,146,114
Operating transfers out	(1,044,856)	(19,275)	(1,081,983)	(2,146,114)
Total Other Financing Sources (Uses)	72,402	(19,275)	(37,127)	16,000
Net Change in Fund Balances	(81,365)	1,405	(73,063)	(153,023)
Fund balances---July 1, 2007, as previously reported	19,423	617,900	589,072	1,226,395
Prior period adjustment	13,390		3,939	17,329
Fund balances---July 1, 2007, restated	32,813	617,900	593,011	1,243,724
Increase in reserve for inventory	0	0	5,614	5,614
Fund balances---June 30, 2008	$ (48,552)	619,305	525,562	1,096,315

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

Kemper 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

Exhibit D-1

		Amount
Net Change in Fund Balances - Governmental Funds	$	(153,023)
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 purchase amounted to $27,749 and the depreciation expense amounted to $ 200,161.		(172,412)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.		146,761
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.		1,950
4 Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.		5,614
5. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Compensated absences		(4,688)
Rounding		(2)
Change in Net Assets of Governmental Activities	$	(175,800)

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

Kemper County School District
Statement of Fiduciary Asset and Liabilities
Agency Funds
June 30, 2008

Exhibit E

ASSETS		Agency funds
Cash	$	57,016
Due from other funds		519,450
Total assets	$	576,466
LIABLITIES		
Accounts payable and accrued liabilities	$	536,365
Due to other funds		40,101
Total Liabilities	$	576,466

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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, Kemper 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 include 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.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the 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.

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 include 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, proprietary 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 nonmajor 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.

Sixteenth Section Principal Fund – This is a permanent fund consisting of funds derived from certain uses which shall be invested and only the interest and income derived from such funds shall be expendable by the school district.

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 District's fiduciary funds include the following:

Payroll Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for payroll related liabilities.

Activity Club Fund – This agency fund is used to account for funds from school club activities and fund raisers and club related expenditures.

Accounts Payable Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for related liabilities.

Additionally, the school district reports the following fund types:

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 expenditure purposes.

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

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

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

FIDUCIARY FUNDS

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

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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue 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 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 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.

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-reimbursement 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 Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues 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 encumbrance 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 to be selected.

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. Receivables 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 non-current 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 governmcnts 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 balancc sheet 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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-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 market 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	$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

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

In the government-wide, proprietary and component unit 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, governmental 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 advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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.

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

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

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

(2) Cash and Cash Equivalents and Cash with Fiscal Agents.

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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $1,062,966 and $57,016, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - $859,571 and restricted assets - $203,395. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) in the amount of $203,395 which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was $1,696,622.

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 $1,696,622 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was $38,498.

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Receivable fund	Payable fund		Amount
General funds	Other governmental funds	$	174,925
General funds	Agency funds		40,101
Other governmental funds	General funds		55,019
Agency funds	General funds		376,708
Agency funds	Other governmental funds		142,742
Total		$	789,495

The purpose of the interfund receivables and payables is to close out federal program funds at year-end. All interfund receivables and payables are expected to be repaid within one year.

B. Advances From/To Other Funds:

	Receivable fund	Payable fund
Sixteenth Section Principal Fund	$ 415,304	
General fund		$ 415,304

Sixteenth Section loans payable:

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

Year Ending 30-Jun	Principal	Interest	Total
2009	$ 44,953	15,794	60,747
2010	46,785	13,963	60,748
2011	48,691	12,056	60,747
2012	50,674	10,073	60,747
2013	52,739	8,008	60,747
2014-2016	171,462	10,789	182,251
Total	$ 415,304	70,683	485,987

The purpose of the advance was for construction costs associated with the HVAC and roofing project.

The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

C. Interfund Transfers.

Transfers out	Transfers in	Amount
16th Section Principal fund	General funds	$ 19,275
Other governmental funds	General funds	1,081,983
General funds	Other governmental funds	1,044,856
Total		$ 2,146,114

The purpose of the interfund transfers is to transfer federal program indirect cost and expendable sixteenth section funds to the General Fund and to close out federal program funds at year-end. These transfers are consistent with the activities of the fund making the transfer.

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling $203,395 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

(5) Capital Assets.

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

		Balance July 1, 2007	Additions	Deletions	Completed Construction & Adjustments	Balance June 30, 2008
Non-depreciable Capital Assets:						
Land	$	25,410				25,410
Construction in progress			0			
Total non-depreciable capital assets		25,410	0	0		25,410
Depreciable Capital Assets:						
Buildings		6,427,498				6,427,498
Improvements other than buildings		38,425				38,425
Mobile equipment		1,223,525	5,389			1,228,914
Furniture and equipment		443,402	22,360		-1430	464,332
Total depreciable capital assets		8,132,850	27,749		-1430	8,159,169
Less: Accumulated depreciation for:						
Buildings		2,014,339	88,903		-75,366	2,027,876
Improvements other than buildings		38,425			-7,685	30,740
Mobile equipment		982,100	66,120		-277,282	770,938
Furniture and equipment		213,340	45,138		68,964	327,442
Total accumulated depreciation		3,248,204	200,161		-291,369	3,156,996
Total depreciable capital assets, net		4,884,646	-172,412		289,939	5,002,173
Governmental activities capital assets, net	$	4,910,056	-172,412		289,939	5,027,583

Depreciation expense was charged to the following governmental functions:

Instruction	$	88,071
Support services		110,089
Non-instructional services		2,001
Total Depreciation Expense	$	200,161

Adjustments were made to correct accumulated depreciation and furniture and equipment. The school district's accumulated depreciation was overstated due to errors in calculations, which was discovered when the District converted to a different software provider.

(6) Long-term Liabilities.

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

		Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
A. Limited obligation bonds payable	$	1,860,000		135,000	1,725,000	140,000
B. Other loans payable		29,403		11,761	17,642	11,761
C. Compensated absences payable		55,361	4,688		60,049	2,402
Total	$	1,944,764	4,688	146,761	1,802,691	154,163

A. Limited Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds	4.5%	4/1/1998	4/1/2018	$	2,600,000	1,725,000
Total				$	2,600,000	1,725,000

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

Year Ending June 30:		Principal	Interest and Maintenance Charges	Total
2009	$	140,000	77,625	217,625
2010		145,000	71,325	216,325
2011		155,000	64,800	219,800
2012		160,000	57,825	217,825
2013		165,000	50,625	215,625
2014-2018		960,000	133,425	1,093,425
Total	$	1,725,000	455,625	2,180,625

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

B. Other Loans Payable.

The school district has issued debt instruments granted under the authority of Sections 37-59-101, Miss. Code Ann. (1972).

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos loan	N/A	5/14/1990	5/14/2010	$ 211,700	$ 17,642

Other loan issued on 5/14/1990.

Year Ending June 30	Principal	Maintenance Charges	Total
2009	$ 11,761		11,761
2010	5,881		5,881
Total	$ 17,642	0	17,642

This debt will be retired from Debt Service Fund # 4023 – Asbestos loan fund.

C. 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) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were $744,719, $711,557 and $637,080, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30		Amount
2009	$	75,064
2010		70,402
2011		62,882
2012		58,872
2013		16,630
2014-2018		611,043
2019-2023		132,643
2024-2028		111,184
2029-2033		77,708
Thereafter		177,469
Total	$	1,393,897

(9) Deficit Fund Balance of Individual Funds.

The Distriet Maintenance Fund has a deficit fund balance in the amount of $-66,563. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972). Section 37-61-19, Miss. Code Ann. (1972), imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

	Explanations		Amount
1	Correction of prior year's accrued interest payable	$	11,653
2	Prior year accumulated depreciation was underreported		289,939
3	Adjustments and voided old outstanding checks		17,331
	Total prior period adjustments	$	318,923

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

Major Funds	Explanations		Amount
General Fund	Voided old outstanding checks	$	12,035
	Adjustment to beginning balances for unrecorded revenue		1,355
Other Governmental funds			
	Adjustment to beginning balances for investment income from prior year MAEP retirement bond fund		3,939
Total Governmental funds		$	17,329

(11) 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 regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

(12) Subsequent events.

Subsequent to June 30, 2008, Kemper County School District issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
12/11/2008	3.15%	$	500,000	Tax anticipation note	Advalorem tax
8/4/2009	4.61%	$	137,950	Shortfall Note, Series 2009	Advalorem tax

The tax anticipation note was paid off on 3-27-09.

(13) 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 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.

KEMPER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	$ 1,456,785	1,385,877	1,394,463	(70,908)	8,586
State sources	5,773,813	5,940,033	5,974,198	166,220	34,165
Federal sources	178,903	182,044	147,878	3,141	(34,166)
Sixteenth section sources	5,000			(5,000)	
Total Revenues	7,414,501	7,507,954	7,516,539	93,453	8,585
Expenditures:					
Instruction	4,687,150	4,569,842	4,569,842	117,308	0
Support services	2,968,070	3,077,035	3,077,035	(108,965)	0
Noninstructional services	5,806	5,876	5,876	(70)	0
Debt service:					
Interest	17,553	17,553	17,553		0
Total Expenditures	7,678,579	7,670,306	7,670,306	8,273	0
Excess (Deficiency) of Revenues over Expenditures	(264,078)	(162,352)	(153,767)	101,726	8,585
Other Financing Sources (Uses):					
Insurance loss recoveries		16,000	16,000	16,000	0
Sale of transportation equipment		7,101		7,101	(7,101)
Operating transfers in	571,650	1,690,871	1,101,258	1,119,221	(589,613)
Operating transfers out	(272,225)	(1,632,984)	(1,044,856)	(1,360,759)	588,128
Total Other Financing Sources (Uses)	299,425	80,988	72,402	(218,437)	(8,586)
Net Change in Fund Balances	35,347	(81,364)	(81,365)	(116,711)	(1)
Fund Balances:					
July 1, 2007	284,160	19,424	19,423	(264,736)	(1)
Prior period adjustments		13,389	13,390	13,389	1
July 1, 2007, as restated	284,160	32,813	32,813	(251,347)	0
June 30, 2008	$ 319,507	(48,551)	(48,552)	(368,058)	(1)

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

KEMPER COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Kemper County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	215,213
National school lunch program	10.555	427,439
Summer food service program for children	10.559	27,504
Total child nutrition cluster		670,156
Fresh fruit and vegetable program	10.582	49,594
Total U.S. Department of Agriculture		719,750
U.S. Department of Defense		
Direct program:		
Reserve Officers' Training Corps	12.XXX	52,559
Total U.S. Department of Defense		52,559
Federal Communications Commission		
Administered through the Universal Service Company:		
The schools and libraries program of the universal service fund	32.XXX	49,939
Total Federal Communications Commission		49,939
U.S. Department of Education		
Passed through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	673,733
Career and technical education - basic grants to states	84.048	24,313
Safe and drug free schools and communities - state grants	84.186	11,294
Twenty-first century community learning centers	84.287	72,725
State grants for innovative programs	84.298	2,400
Education technology state grants	84.318	758
Reading first state grants	84.357	341,725
Rural education	84.358	15,417
Grants for state assessments and related activities	84.369	7,211
Improving Teacher Quality state grants	84.367	168,103
Total		1,317,679
Special education cluster:		
Special education grants to states	84.027	237,668
Special education preschool grants	84.173	892
Total special education cluster		238,560

(Continued)

Total passed through Mississippi Department of Education		1,556,239
Total U.S. Department of Education		1,556,239
U.S. Department of Education		
Direct Program		
Literacy through school libraries	84.364	43,065
Total		43,065
Total U. S. Department of Education		43,065
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	34,165
Total		34,165
Total for All Federal Awards		2,455,717

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 statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The balance outstanding at June 30, 2008, of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was $17,642.

KEMPER COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2008

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	8,769,465	6,322,016	513,616	572,765	1,361,068
Other		2,426,340	634,689	217,701	34,129	1,539,821
Total	$	11,195,805	6,956,705	731,317	606,894	2,900,889
Total number of students*		1,178				
Cost per student	$	9,504	5,906	621	515	2,463

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

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

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

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

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

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

Kemper County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
General fund
Last four years

"UNAUDITED"

		2008	2007*	2006*	2005*
Local sources	$	1,394,463	1,384,929	1,404,738	1,327,160
State sources		5,974,198	5,695,568	5,369,209	5,065,624
Federal sources		147,878	167,819	143,515	273,667
Total Revenues		7,516,539	7,248,316	6,917,462	6,666,451
Instruction		4,569,842	4,509,827	4,361,388	4,338,941
Support services		3,077,035	2,810,134	2,771,770	2,674,065
Noninstructional services		5,876	5,731	5,614	5,282
Debt service:					
Interest		17,553	19,245	14,446	
Total Expenditures		7,670,306	7,344,937	7,153,218	7,018,288
Excess (Deficiency) of Revenues over Expenditures		(153,767)	(96,621)	(235,756)	(351,837)
Insurance loss recoveries		16,000	-	31,551	2,255
Sale of other property			5,262		
Operating transfers in		1,101,258	2,302,836	1,304,430	1,395,289
Operating transfers out		(1,044,856)	(2,270,868)	(598,498)	(1,672,853)
Miscellaneous				(6,663)	
Total Other Financing Sources (Uses)		72,402	37,230	730,820	(275,309)
Net Change in Fund Balances		(81,365)	(59,391)	495,064	(627,146)
Fund balances---July 1, as previously reported		19,423	38,811	(450,199)	194,851
Prior period adjustment		13,390	40,003	(6,054)	(17,904)
Fund balances---July 1, restated		32,813	78,814	(456,253)	176,947
Fund balances---June 30,	$	(48,552)	19,423	38,811	(450,199)

*SOURCE - PRIOR YEAR AUDIT REPORTS

Kemper County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
All governmental funds "UNAUDITED"
Last four years

		2008	2007*	2006*	2005*
Local sources	$	1,478,052	1,489,174	1,532,975	1,449,003
State sources		6,495,013	6,217,977	5,884,555	5,511,973
Federal sources		2,466,936	2,867,944	2,823,260	3,096,932
Sixteenth section sources		586,781	351,814	932,311	1,970,744
Total Revenues		11,026,782	10,926,909	11,173,101	12,028,652
Instruction		6,058,819	6,210,126	6,056,297	6,275,489
Support services		3,990,767	3,987,198	3,939,304	3,720,164
Noninstructional services		793,448	785,316	724,171	693,503
Sixteenth section		104,360	107,317	49,120	206,506
Facilities acquisition and construction				59,248	1,163,179
Debt service:			132,982		
Principal		146,761	136,761	171,761	160,761
Interest		99,228	112,470	117,283	109,112
Other		2,422	2,512	411	599
Total Expenditures		11,195,805	11,474,682	11,117,595	12,329,313
Excess (Deficiency) of Revenues over Expenditures		(169,023)	(547,773)	55,506	(300,661)
Insurance loss recoveries		16,000	26,053	150,815	24,723
Sale of other property		2,146,114	5,262		
Operating transfers in		(2,146,114)	4,036,278	2,331,539	3,298,237
Operating transfers out			(4,036,278)	(2,331,539)	(3,298,237)
				(6,508)	
Total Other Financing Sources (Uses)		16,000	31,315	144,307	24,723
Net Change in Fund Balances		(153,023)	(516,458)	199,813	(275,938)
Fund balances---July 1, as previously reported		1,226,395	1,698,995	1,490,148	1,797,873
Prior period adjustment		17,329	40,003	7,946	(31,787)
Fund balances---July 1, restated		1,243,724	1,738,998	1,498,094	1,766,086
Increase in reserve for inventory		5,614	3,855	1,088	
Fund balances---June 30	$	1,096,315	1,226,395	1,698,995	1,490,148

*SOURCE - PRIOR YEAR AUDIT REPORTS

KEMPER COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

Windham and Lacey, PLLC

Certified Public Accountants

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

Superintendent and School Board
Kemper County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Kemper County School District as of and for the year ended June 30, 2008, which collectively comprise the Kemper County School District's basic financial statements and have issued our report thereon dated August 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-01 and 2008-02 to be significant deficiencies 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 consider the significant deficiencies described above in findings 2008-01 2008-02 to be material weaknesses.

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 instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-01.

Kemper County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Kemper County School District's responses 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.

Windham and Lacey, PLLC

Windham and Lacey, PLLC
August 13, 2009

Windham and Lacey, PLLC

Certified Public Accountants

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

Superintendent and School Board
Kemper County School District

Compliance

We have audited the compliance of the Kemper 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 Kemper County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Kemper 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 Kemper 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 Kemper County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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.

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

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
August 13, 2009

Windham and Lacey, PLLC

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

Superintendent and School Board
Kemper County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kemper County School District as of and for the year ended June 30, 2008, which collectively comprise Kemper County School District's basic financial statements and have issued our report thereon dated August 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Section 37-9-18(3)(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 $5,118 of classroom supply funds carried over from previous years.

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

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

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

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

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

Windham and Lacey, PLLC

Windham and Lacey, PLLC
August 13, 2009

KEMPER COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KEMPER COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	No
6.	Any audit findings reported as required by Section ___.510(a) of Circular A-133?	No
7.	Federal programs identified as major programs:	
	a. Child Nutrition Cluster School Breakfast Program, CFDA #10.553 National School Lunch Program, CFDA #10.555 Summer food service program for children, CFDA #10.559	
	b. Title I- Grants to local education agencies CFDA #84.010	
	c. Reading first state grants CFDA # 84.357	
8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	Yes

10.	Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133?	No

Section 2: Financial Statement Findings

Significant Deficiency – Material Weakness/ Legal Compliance

2008-01. Finding

Section 37-61-19, Miss. Code Ann. (1972), imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances. The District Maintenance fund had a deficit fund balance at June 30, 2008, which is a result of interfund transfers to other funds to cover overspending. Proper internal controls should be in place to prevent spending in excess of available resources.

Recommendation

The Kemper County School Board should establish internal controls to insure sound budgetary practices and to prevent deficit spending of available resources.

Significant Deficiency – Material Weakness

2008-2 Finding

Internal controls should be in place to ensure proper calculation and reporting of capital assets' accumulated depreciation. The school district's accumulated depreciation was overstated due to errors in calculations, which was discovered when the District converted to a different software provider.

Recommendation

We recommend internal controls to be established to properly report accumulated depreciation of capital assets.

Section 3: Federal Award Findings and Questioned Costs

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

KEMPER COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

KEMPER COUNTY SCHOOLS

Post Office Box 219
DeKalb, Mississippi 39328

"Together We Can Make A Difference"

Jackie Pollock
Superintendent

Phone (601) 743-2657
Fax (601) 743-9297

Response to Findings and Questioned Costs
For the Year Ended June 30, 2008

2008-01

Response

The Kemper County School Board will establish internal controls to insure sound budgetary practices and prevent deficit spending of available resources.

2008-02

Response

Internal controls will be established to properly report accumulated depreciation of capital assets.

KSD