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**Mound Bayou Public  
School District**  
Audited Financial Statements  
June 30, 2008

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Mound Bayou Public School District  
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FINANCIAL AUDIT REPORT

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Mound Bayou Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2008, which collectively comprise the Mound Bayou Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mound Bayou Public 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 Mound Bayou Public 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 December 15, 2008, on our consideration of the Mound Bayou Public 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 7 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 44 through 46 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.

**AICPA & MSCPA**

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 15, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MOUND BAYOU PUBLIC SCHOOL DISTRICT  
MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Mound Bayou Public 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 \$488,614, including the effect of \$321 prior period adjustment, which represents an 18% increase from fiscal year 2007.
- General revenues account for \$4,593,835, or 74% of all revenues. The general revenues for 2007 consisted of \$4,214,278, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,577,143, or 26% of total revenues compared to \$1,674,976 in 2007.
- The district had \$5,682,043 in expenses, an amount that increased when compared with the \$5,523,464 in expenses for the prior year; only \$1,577,143 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$4,593,835 were adequate to provide for these programs.
- Among major funds, the General Fund had \$4,143,391 in revenues and \$3,894,071 in expenditures. In 2007 the General Fund had \$3,947,305 in revenues and \$3,702,962 in expenditures. The fund balance in the General Fund increased \$249,275.
- Capital assets, net of accumulated depreciation, increased by \$95,723 due primarily to the acquisition of mobile equipment and the additions made to building improvements.
- Long-term debt decreased by \$1,830.

#### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial

statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financial decisions. Both the governmental fund balance

sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 26, respectively.

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

The basic governmental fund financial statements can be found on pages 20 and 24 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Assets and Liabilities on page 27.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-42 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 44-46 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133, a schedule of instructional, administrative, and other expenditures for governmental funds and statements of revenues, expenditures and changes in fund balances - last four years for the General Fund and All Governmental Funds can be found on pages 48, 49, 51 and 52 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$3,211,328 as of June 30, 2008.

furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and 2007:

	2008	2007	Percentage Change
<b>Assets</b>			
Current assets	\$ 3,389,818	2,893,627	17%
Capital assets, net	874,180	778,457	12%
<b>Total assets</b>	<b>4,263,998</b>	<b>3,672,084</b>	<b>16%</b>
<b>Liabilities</b>			
Current liabilities	149,245	44,115	238%
Long-term liabilities	903,425	905,255	0%
<b>Total liabilities</b>	<b>1,052,670</b>	<b>949,370</b>	<b>11%</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	867,767	759,217	14%
Restricted	1,234,877	833,399	48%
Unrestricted	1,108,684	1,130,098	-2%
<b>Total Net Assets</b>	<b>\$ 3,211,328</b>	<b>2,722,714</b>	<b>18%</b>

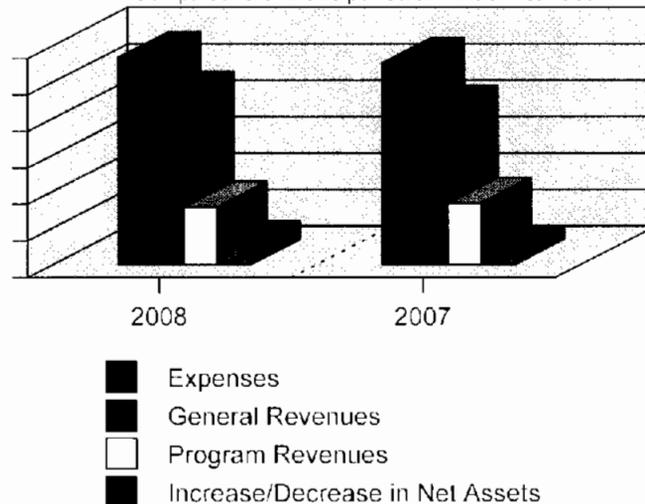
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$12,827 of long-term debt.
- The addition of \$158,322 in depreciable capital assets.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$6,170,978. The total cost of all programs and services was \$5,682,043. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008, and 2007, respectively.

	2008	2007	Percentage Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 216,720	201,625	7%
Operating Grants and Contributions	1,325,033	1,437,963	-8%
Capital Grants and Contributions	35,390	35,388	0%
<b>Total Program Revenues</b>	<b>1,577,143</b>	<b>1,674,976</b>	<b>-6%</b>
<b>General Revenues</b>			
Property Taxes	462,832	442,127	5%
Unrestricted Grants and Contributions	3,788,806	3,576,615	6%
Unrestricted Investment Earnings	60,255	41,319	46%
Sixteenth Section Sources	51,608	47,746	8%
Other	230,334	106,471	116%
<b>Total General Revenues</b>	<b>4,593,835</b>	<b>4,214,278</b>	<b>9%</b>
<b>Total revenues</b>	<b>6,170,978</b>	<b>5,889,254</b>	<b>5%</b>
<b>Expenses</b>			
Instruction	3,019,179	3,088,473	-2%
Support services	2,044,791	1,974,326	4%
Non-instructional	618,073	460,165	34%
Other expenses on long-term liabilities		500	-100%
<b>Total expenses</b>	<b>5,682,043</b>	<b>5,523,464</b>	<b>3%</b>
<b>Increase (Decrease) in net assets</b>	<b>488,935</b>	<b>365,790</b>	<b>34%</b>
Net Assets, July 1	2,722,714	2,360,408	15%
Prior Period Adjustment	(321)	(3,484)	-91%
Net assets, July 1, Restated	2,722,393	2,356,924	16%
<b>Net Assets, June 30</b>	<b>\$ 3,211,328</b>	<b>2,722,714</b>	<b>18%</b>

Comparative Chart as per Statement of Activities

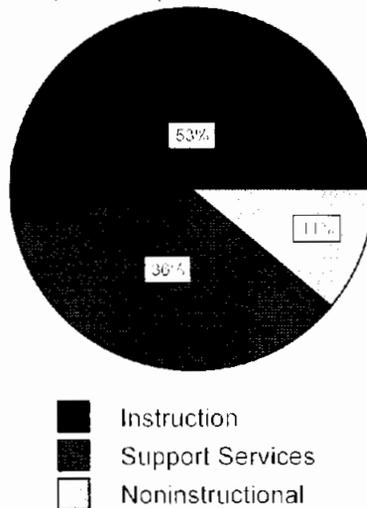


- Net cost of governmental activities (\$4,104,900), was financed by general revenue, which is made up of primarily property taxes \$462,832 and state revenue \$3,666,029.
- Investment earning accounted for \$60,255 of funding.

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and other expenses 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 contribution of the State and District's taxpayers by each of these functions.

	2008	2007	2008	2007
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 3,019,179	3,088,473	(2,427,800)	(2,167,244)
Support Services	2,044,791	1,974,326	(1,603,340)	(1,761,927)
Non-Instructional	618,073	460,165	(73,760)	81,183
Other expenses on long term liabilities	-	500	-	(500)
	\$ 5,682,043	5,523,464	(4,104,900)	(3,848,488)

Expenses as per Statement of Activities



## 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 \$3,240,573, an increase of \$391,061. \$2,414,230 or 75% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. For example, debt service fund balance is to be used to retire the District's debt. Federal project and other grant funds received must be used to meet specific objectives as set forth in the grant application. The remaining fund balance of \$826,343 or 25% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$249,275. The fund balance of Other Governmental Funds showed an increase of \$37,316. The Fund balance of the debt service fund increased \$114,470. In keeping with the District's goals to provide a safe and comfortable environment to facilitate instruction, major expenditures for textbooks, school buses, and district-wide facility improvements, some of which were not capitalized, contributed to the increased fund balance for the year ended June 30, 2008. Economic factors led to significantly higher utility costs and bus fuel costs for the year ended June 30, 2008.

## **BUDGETARY HIGHLIGHTS**

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

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

Budget amounts for revenue from local and state sources in the General Fund were increased primarily due to increased funding.

Budget amounts for expenditures were amended as funding sources/amounts changed.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, and the Title I 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 \$2,615,549, including school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$126,092 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$1,741,369 and total depreciation expense for the year was \$62,278, resulting in total net capital assets of \$874,180.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Buildings	\$ 376,434	388,365	-3%
Building improvements	144,653	-	100%
Improvements other than buildings	42,947	45,208	-5%
Mobile equipment	278,652	303,848	-8%
Furniture and equipment	31,494	41,036	-23%
	\$ 874,180	778,457	12%

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

**Debt Administration.** At June 30, 2008, the District had \$0 in general obligation bonds outstanding and \$903,425 in other long-term debt outstanding, of which \$6,413 is due within one year.

			Percentage
	2008	2007	Change
Qualified Zone Academy Bond Payable	\$ 855,000	855,000	0%
Other loans Payable	6,413	19,240	-67%
Compensated absences	42,012	31,015	35%
	\$ 903,425	905,255	0%

The District maintains a AA bond rating. Additional information of the District's long-term debt can be found in Note 5 on page 39 of this report.

## CURRENT ISSUES

The Mound Bayou Public District is financially sound and has experienced stable, even slightly increasing enrollment since FY 2001. The Monthly Attendance Record submitted to the Mississippi Department of Education for Month 9, FY 08, shows enrollment to be 644 students. The District is proud of its community support of the public schools.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Mound Bayou Public School District, 301 East Martin Luther King, Suite A Mound Bayou, MS 38762 .

FINANCIAL STATEMENTS

**MOUND BAYOU SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS AND OTHER DEBITS</b>	
Assets:	
<i>Cash and other deposits</i>	\$ 2,443,612
<i>Due from other governments</i>	289,599
<i>Other receivables, net</i>	51,608
<i>Inventories</i>	9,987
<i>Restricted Assets</i>	595,012
<i>Capital Assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	376,434
<i>Building Improvements</i>	144,653
<i>Improvements other than buildings</i>	42,947
<i>Mobile equipment</i>	278,652
<i>Furniture and equipment</i>	31,494
Total Assets	<u>4,263,998</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	143,574
<i>Due to other governments</i>	658
<i>Unearned revenue</i>	5,013
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	6,413
Long-term liabilities (due beyond one year)	
<i>Non-capital related liabilities</i>	897,012
Total Liabilities	<u>1,052,670</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	867,767
Restricted Net Assets:	
Expendable:	
School Based Activities	418,521
Debt Service	695,727
Capital Improvements	73,687
Unemployment	46,059
Sixteenth Section	883
Unrestricted	1,108,684
<b>Total Net Assets</b>	<u><b>\$ 3,211,928</b></u>

The accompanying notes are an integral part of this statement.

**MOUND BAYOU SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
<i>Instruction</i>	3,019,179	64,480	491,509	35,390
<i>Support services</i>	2,044,791	--	441,451	--
<i>Noninstructional services</i>	618,073	152,240	392,073	--
<b>Total Governmental Activities</b>	<b>\$ 5,682,043</b>	<b>\$ 216,720</b>	<b>\$ 1,325,033</b>	<b>\$ 35,390</b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
<i>General purpose levies</i>				462,832
<b>Unrestricted grants and contributions:</b>				
<i>State</i>				3,666,029
<i>Federal</i>				122,777
<i>Unrestricted investment earnings</i>				60,255
<i>Sixteenth section sources</i>				51,608
<i>Other</i>				230,334
<b>Total general revenues</b>				<b>4,593,835</b>
				<b>488,935</b>
				<b>2,722,714</b>
				<b>(321)</b>
				<b>2,722,393</b>
				<b>3,211,028</b>

The accompanying notes are an integral part of this statement.

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**MOUND BAYOU SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General Fund	Title I Fund
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 1,964,227	\$ --
<i>Investments</i>	--	--
<i>Due from other governments</i>	48,679	98,931
<i>Other receivables, net</i>	--	--
<i>Due from other funds</i>	26,349	--
<i>Inventories</i>	--	--
<b>Total Assets</b>	<b>\$ 2,039,255</b>	<b>\$ 98,931</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>	\$ 33,559	\$ 87,400
<i>Due to other funds</i>	--	11,531
<i>Unearned revenue</i>	--	--
<b>Total Liabilities</b>	<b>33,559</b>	<b>98,931</b>
<b>Fund balances:</b>		
<b>Reserved for:</b>		
<i>Inventory</i>	--	--
<i>Unemployment benefits</i>	--	--
<i>Capital projects funds</i>	--	--
<i>Debt service funds</i>	--	--
<i>Permanent funds</i>	--	--
<b>Unreserved, undesignated, reported in:</b>		
<i>General fund</i>	2,005,696	--
<i>Special Revenue funds</i>	--	--
<b>Total Fund Balances</b>	<b>2,005,696</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,039,255</b>	<b>\$ 98,931</b>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 101,236	\$ 379,032	\$ 2,444,495
594,129	-	594,129
362	140,657	288,629
-	51,608	51,608
-	40	26,389
-	9,987	9,987
\$ 696,727	\$ 581,324	\$ 2,415,237
\$ --	\$ 22,615	\$ 143,574
-	14,546	26,077
-	5,013	5,013
-	42,174	174,664
-	9,987	9,987
-	46,059	46,059
-	73,687	73,687
695,727	-	695,727
-	883	883
-	-	2,005,696
-	408,534	408,534
695,727	539,150	3,240,573
\$ 695,727	\$ 581,324	\$ 3,415,237

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Total fund balances - governmental funds balance sheet	\$ 3,240,573
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	874,180
Liabilities due in one year are not recognized in the funds.	(6,413)
Payables for bond principal which are not due in the current period are not reported in the funds.	(855,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(42,012)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 3,211,328</u>

The accompanying notes are an integral part of this statement.

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**MOUND BAYOU SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Title I Fund
Revenue:		
Local sources	\$ 558,719	\$ --
State sources	3,461,895	--
Federal sources	122,777	501,663
Sixteenth section sources	--	--
Total revenues	<u>4,143,391</u>	<u>501,663</u>
Expenditures:		
Instruction	2,264,719	201,768
Support services	1,434,680	227,903
Noninstructional services	--	60,461
Facilities acquisition and construction	181,845	--
Debt service:		
Principal	12,827	--
Other	--	--
Total expenditures	<u>3,894,071</u>	<u>490,132</u>
Excess (deficiency) of revenues (over) expenditures	249,320	11,531
Other financing sources (uses):		
Insurance loss recoveries	32,298	--
Operating transfers in	--	--
Operating transfers out	(32,343)	(11,531)
Other financing uses	--	--
Total other financing sources (uses)	<u>(45)</u>	<u>(11,531)</u>
Net change in fund balance	249,275	--
Fund Balances:		
July 1, 2007	1,756,421	--
Increase (decrease) in reserve for inventory	--	--
June 30, 2008	<u>\$ 2,005,696</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 60,970	\$ 318,154	\$ 937,843
--	355,113	3,817,008
--	707,781	1,332,221
--	51,608	51,608
<u>60,970</u>	<u>1,432,656</u>	<u>6,138,680</u>
--	648,280	3,114,767
--	377,394	2,039,977
--	371,475	431,936
--	--	181,845
--	--	12,827
500	--	500
<u>500</u>	<u>1,397,149</u>	<u>5,781,852</u>
60,470	35,507	356,828
--	--	32,298
54,000	56,808	110,808
--	(66,934)	(110,808)
--	--	--
<u>54,000</u>	<u>(10,126)</u>	<u>32,298</u>
114,470	25,381	389,126
581,257	511,834	2,849,512
--	1,935	1,935
<u>\$ 895,727</u>	<u>\$ 539,150</u>	<u>\$ 3,240,573</u>

**MOUND BAYOU PUBLIC 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*

Net change in fund balances - total governmental funds	\$ 389,126
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	158,322
The depreciation of capital assets used in governmental activities is not reported in the funds.	(62,278)
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	12,827
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(10,997)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	<u>1,935</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 488,935</u>

The accompanying notes are an integral part of this statement.

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and other deposits</i>	\$ 239,523
<i>Due from other funds</i>	658
<b>Total Assets</b>	<b>\$ 240,181</b>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts Payable &amp; Accrued Liabilities</i>	\$ 234,278
<i>Due to student clubs</i>	4,933
<i>Due to other funds</i>	970
<b>Total Liabilities</b>	<b>\$ 240,181</b>

The accompanying notes are an integral part of this statement.

**Mound Bayou Public School District**

Notes to the Financial Statements  
June 30, 2008

## **Mound Bayou Public School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

### (1) Summary of Significant Accounting Policies.

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

#### A. Financial Reporting Entity.

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

#### B. Basis of Presentation.

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

#### ***Government-wide Financial Statements***

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

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

## Mound Bayou Public School District

Notes to Financial Statements  
For the Year Ended June 30, 2008

program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

### ***Fund Financial Statements:***

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

### C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

**Title I Fund** - This fund accounts for the transactions of the Title I Grant. This is a federal grant available to local educational agencies.

## Mound Bayou Public School District

Notes to Financial Statements  
For the Year Ended June 30, 2008

Debt Service Fund - This is the school district's fund that collects ad valorem receipts and makes transfers to the Qualified Zone Academy Bond escrow agent to retire the debt upon maturity.

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

Additionally the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

### FIDUCIARY FUNDS

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

#### 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 the *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.

## Mound Bayou Public School District

Notes to Financial Statements  
For the Year Ended June 30, 2008

### F. Cash and Cash Equivalents.

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

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

### G. Investments.

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

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

### H. Inventories and Prepaid Items.

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

### I. Capital Assets.

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

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

**Mound Bayou Public School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

**J. Long-term liabilities.**

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

**K. Interfund Transactions and Balances.**

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

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

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

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

## **Mound Bayou Public School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

### L. Equity Classifications.

#### ***Government-Wide Financial Statements:***

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

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

#### ***Fund Financial Statements:***

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

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

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

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

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

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

## Mound Bayou Public School District

### Notes to Financial Statements For the Year Ended June 30, 2008

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

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

#### M. Property Taxes.

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

#### N. Mississippi Adequate Education Program Revenues.

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

#### O. Compensated Absences.

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

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

#### (2) Cash and Cash Equivalents and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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

## Mound Bayou Public School District

### Notes to Financial Statements For the Year Ended June 30, 2008

pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$2,444,495, and \$239,523 respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents \$2,443,612 and restricted assets \$595,012. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) \$883 and the QZAB investment balance in the Debt Service Fund \$594,129 which are legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$2,980,424.

*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 the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$2,980,424 was exposed to custodial credit risk.

**Mound Bayou Public School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

Investments.

As of June 30, 2008, the district had the following investments in the Hancock Bank's Trust Department investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
Federal National Mortgage Association Notes	Less than 1	\$ <u>594,129</u>	Not Rated

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

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

Issuer	Fair Value	% of Total Investments
Federal National Mortgage Association Notes	\$ <u>594,129</u>	100%

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	Due From	Due To
Governmental Funds:		
General Fund	\$ 26,349	\$ 0
Title I Fund	0	11,531
Other governmental funds	40	14,546
Fiduciary Funds	<u>658</u>	<u>970</u>
Total Funds	<u>\$27,047</u>	<u>\$27,047</u>

**Mound Bayou Public School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

The purpose of the Due From/To other funds balances was to eliminate deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 0	\$ 32,343
Title I Fund	0	11,531
Debt Service	54,000	0
Other Governmental Funds	<u>56,808</u>	<u>66,934</u>
Total Funds	<u>\$ 110,808</u>	<u>\$ 110,808</u>

The purpose of the transfers was to reimburse federal administrative costs, to move indirect cost to operating account, for budgetary purposes, etc. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

	<u>Balance 7-01-2007</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance 6-30-2008</u>
<u>Depreciable capital assets:</u>				
Buildings	\$ 1,563,657			1,563,657
Building improvements		150,680		150,680
Improvements other than buildings	56,513			56,513
Mobile equipment	644,577	7,642		652,219
Furniture and equipment	224,710		(32,230)	192,480
Total depreciable capital assets	<u>2,489,457</u>	<u>158,322</u>	<u>(32,230)</u>	<u>2,615,549</u>
<u>Less accumulated depreciation for:</u>				
Buildings	1,175,292	11,931		1,187,223
Building improvements	0	6,027		6,027
Improvements other than buildings	11,305	2,261		13,566
Mobile equipment	340,729	32,838		373,567
Furniture and equipment	183,674	9,221	(31,909)	160,986
Total accumulated depreciation	<u>1,711,000</u>	<u>62,278</u>	<u>(31,909)</u>	<u>1,741,369</u>
Total depreciable capital assets, net	<u>778,457</u>	<u>96,044</u>	<u>(321)</u>	<u>874,180</u>
Governmental activities capital assets, net	<u>\$ 778,457</u>	<u>96,044</u>	<u>(321)</u>	<u>874,180</u>

Depreciation expense was charged to the following governmental functions:

**Mound Bayou Public School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

Instructional	\$ 43,595
Support Services	12,456
Non-Instructional	<u>6,227</u>
Total depreciation expense	<u>\$62,278</u>

In fiscal year 2005 and 2006 the school district properly disposed of some furniture and equipment but these amounts were not taken out of the books so adjustments were made to correctly state capital assets.

(5) Long-term liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2008	Amounts due within one year
A. Qualified Zone Academy Bonds Payable	\$ 855,000		0		855,000	
B. Other Loans Payable	19,240		12,827		6,413	6,413
C. Compensated absences payable	<u>31,015</u>	<u>10,997</u>	<u>0</u>		<u>42,012</u>	
Total	<u>\$ 905,255</u>	<u>10,997</u>	<u>12,827</u>	<u>0</u>	<u>903,425</u>	<u>6,413</u>

A. Qualified Zone Academy Bonds Payable.

As more fully explained in Note 8, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds, Series 2000	0%	09-12-00	07-01-10	<u>855,000</u>	<u>855,000</u>
Total				<u>\$ 855,000</u>	<u>855,000</u>

This debt will be retired from the Debt Service Fund. A transfer was made from the EEF Building and Buses Fund to the Debt Service Fund to pay the escrow agent. This transfer is shown on Exhibit D of this report.

B. Other Loans Payable.

Debt currently outstanding is as follows:

**Mound Bayou Public School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
U.S. EPA Loan	N/A	11-30-91	11-30-09	\$ 230,883	6,413
Total				<u>\$ 230,883</u>	<u>6,413</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>
2009	\$ 6,413

This debt will be retired from the District Maintenance Fund.

C. Compensated Absences.

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

(6) Defined Benefit Pension Plan.

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

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending 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 \$363,907, \$342,283, and \$327,007, respectively, which equaled the required contributions for each year.

(7) 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 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.

(8) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Duncan Williams, Inc., has entered into such an arrangement dated September 12, 2000. The note was issued for the purpose of paying the costs of renovating, repairing, and rehabilitation a Qualified Zone Academy within the district and paying the costs of such borrowing with Duncan Williams, Inc. assisting in the underwriting.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1, 2010. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending	
<u>June 30</u>	<u>Amount</u>
2009	\$ 54,000
2010	<u>54,000</u>
Total	<u>\$108,000</u>

(9) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996, creating the North Delta Alternative School. This consortium was created pursuant to the

## **Mound Bayou Public School District**

Notes to Financial Statements  
For the Year Ended June 30, 2008

provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie School District, Coahoma County School District, Drew School District, Quitman County School District, Mound Bayou Public School District, Coahoma Agricultural High School, East Tallahatchie School District, and Sunflower County School District.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2008

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 558,105	584,106	558,719	26,001	(25,387)
State sources	3,431,152	3,687,561	3,461,895	256,409	(225,666)
Federal sources	66,500	66,500	122,777	-	56,277
Total Revenues	<u>4,055,757</u>	<u>4,338,167</u>	<u>4,143,391</u>	<u>282,410</u>	<u>(194,776)</u>
<b>Expenditures:</b>					
Instruction	2,397,666	2,458,434	2,264,719	(60,768)	193,715
Support services	1,703,258	1,812,211	1,434,680	(108,953)	377,531
Facilities acquisition and construction		181,845	181,845	(181,845)	-
Debt Service					
Principal	12,827	12,827	12,827	-	-
Interest			-	-	-
Other			-	-	-
Total Expenditures	<u>4,113,751</u>	<u>4,465,317</u>	<u>3,894,071</u>	<u>(351,566)</u>	<u>571,246</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(57,994)</u>	<u>(127,150)</u>	<u>249,320</u>	<u>(69,156)</u>	<u>376,470</u>
<b>Other Financing Sources (Uses):</b>					
Insurance Loss Recoveries			32,298	-	32,298
Operating Transfers In	17,050	17,050		-	(17,050)
Operating Transfers Out	(73,279)	(73,279)	(32,343)	-	40,936
Total Other Financing Sources (Uses)	<u>(56,229)</u>	<u>(56,229)</u>	<u>(45)</u>	<u>-</u>	<u>56,184</u>
Net Change in Fund Balances	<u>(114,223)</u>	<u>(183,379)</u>	<u>249,275</u>	<u>(69,156)</u>	<u>432,654</u>
<b>Fund Balances:</b>					
July 1, 2007	(63,362)	1,736,999	1,756,421	1,800,361	19,422
June 30, 2008	<u>\$ (177,585)</u>	<u>1,553,620</u>	<u>2,005,696</u>	<u>1,731,205</u>	<u>452,076</u>

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

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

Exhibit 2

Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 450,559	501,662	501,663	51,103	1
Total Revenues	<u>450,559</u>	<u>501,662</u>	<u>501,663</u>	<u>51,103</u>	<u>1</u>
<b>Expenditures:</b>					
Instruction	198,663	251,535	201,768	(52,872)	49,767
Support services	221,473	253,669	227,903	(32,196)	25,766
Noninstructional services	59,567	61,633	60,461	(2,066)	1,172
Total Expenditures	<u>479,703</u>	<u>566,837</u>	<u>490,132</u>	<u>(87,134)</u>	<u>76,705</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(29,144)</u>	<u>(65,175)</u>	<u>11,531</u>	<u>(36,031)</u>	<u>76,706</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	<u>(8,025)</u>	<u>(11,531)</u>	<u>(11,531)</u>	<u>(3,506)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(8,025)</u>	<u>(11,531)</u>	<u>(11,531)</u>	<u>(3,506)</u>	<u>-</u>
Net Change in Fund Balances	<u>(37,169)</u>	<u>(76,706)</u>	<u>-</u>	<u>(39,537)</u>	<u>76,706</u>
<b>Fund Balances:</b>					
July 1, 2007	(85,261)		-	85,261	-
June 30, 2008	<u>\$ (122,430)</u>	<u>(76,706)</u>	<u>-</u>	<u>45,724</u>	<u>76,706</u>

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

## **Mound Bayou Public School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2008

### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

**Mound Bayou Public School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2008

**Schedule 1**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	89,172
National School Lunch Program	10.555	271,855
Summer Food Service Program for Children	10.559	17,172
Total child nutrition cluster		<u>378,199</u>
Total passed-through the MDE		<u>378,199</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>		<u><u>378,199</u></u>
<b>FEDERAL COMMUNICATION COMMISSION</b>		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	47,228
Total Federal Communication Commission		<u>47,228</u>
<b>U. S. DEPARTMENT OF EDUCATION/</b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	501,662
Career and Technical Education - Basic Grants to States	84.048	14,146
Safe and Drug Free Schools and Communities - State Grants	84.186	7,039
Twenty-first century community learning centers	84.287	31,843
State Grants for Innovative Programs	84.298	888
Education Technology State Grants	84.318	1,615
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	9,800
Rural Education	84.358	30,674
Improving Teacher Quality State Grants	84.367	68,264
		<u>665,931</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	151,136
Special Education - Preschool Grants	84.173	16,677
Total special education cluster		<u>167,813</u>
Total passed-through the MDE		<u>833,744</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>		<u><u>833,744</u></u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$1,259,171</u></u>

Notes to Schedule

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

Schedule 2

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

	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 4,351,236	3,175,981	460,041	235,072	480,142
Other	1,430,616	462,036	112,089	-	856,491
<b>Total</b>	<b>\$ 5,781,852</b>	<b>3,638,017</b>	<b>572,130</b>	<b>235,072</b>	<b>1,336,633</b>

Total number of students *	644				
Cost per student	\$ 8,978	5,649	888	365	2,076

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

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

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

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

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

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

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

OTHER SUPPLEMENTAL INFORMATION

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
<b>Revenues:</b>				
Local sources	\$ 558,719	575,751	512,119	636,550
State sources	3,461,895	3,333,722	3,210,907	3,075,692
Federal sources	<u>122,777</u>	<u>37,832</u>	<u>196,686</u>	<u>43,182</u>
Total Revenues	<u>4,143,391</u>	<u>3,947,305</u>	<u>3,919,712</u>	<u>3,755,424</u>
<b>Expenditures:</b>				
Instruction	2,264,719	2,279,874	2,111,737	1,909,000
Support services	1,434,680	1,355,805	1,436,018	1,318,802
Facilities acquisition and construction	181,845	8,000		
Debt service:				
Principal	<u>12,827</u>	<u>59,283</u>	<u>75,071</u>	<u>90,861</u>
Total Expenditures	<u>3,894,071</u>	<u>3,702,962</u>	<u>3,622,826</u>	<u>3,318,663</u>
Excess (Deficiency) of Revenues over Expenditures	<u>249,320</u>	<u>244,343</u>	<u>296,886</u>	<u>436,761</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	32,298	16,985	6,693	
Operating transfers in			16,292	16,139
Operating transfers out	<u>(32,343)</u>	<u>(28,233)</u>	<u>(224,604)</u>	<u>(207,978)</u>
Other financing uses				<u>(3,477)</u>
Total Other Financing Sources (Uses)	<u>(45)</u>	<u>(11,248)</u>	<u>(201,619)</u>	<u>(195,316)</u>
Net Change in Fund Balances	<u>249,275</u>	<u>233,095</u>	<u>95,267</u>	<u>241,445</u>
<b>Fund Balances:</b>				
July 1,	1,756,421	1,526,810	1,406,803	1,165,358
Prior period adjustments		<u>(3,484)</u>	<u>24,740</u>	
July 1, as restated	<u>1,756,421</u>	<u>1,523,326</u>	<u>1,431,543</u>	<u>1,165,358</u>
June 30,	<u>\$ 2,005,696</u>	<u>1,756,421</u>	<u>1,526,810</u>	<u>1,406,803</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 937,843	774,557	700,358	715,224
State sources	3,817,008	3,689,569	3,563,388	3,452,850
Federal sources	1,332,221	1,360,397	1,711,925	1,452,686
Sixteenth section sources	51,608	47,746	37,172	35,240
<b>Total Revenues</b>	<b>6,138,680</b>	<b>5,872,269</b>	<b>6,012,843</b>	<b>5,656,000</b>
<b>Expenditures:</b>				
Instruction	3,114,767	3,079,233	3,091,068	2,662,726
Support services	2,039,977	1,940,288	2,180,747	1,979,166
Noninstructional services	431,936	436,821	464,381	447,168
Facilities acquisition and construction	181,845	8,000		197,937
Debt service:				
Principal	12,827	59,283	75,071	90,861
Other	500	500	500	
<b>Total Expenditures</b>	<b>5,781,852</b>	<b>5,524,125</b>	<b>5,811,767</b>	<b>5,377,858</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>356,828</b>	<b>348,144</b>	<b>201,076</b>	<b>278,142</b>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	32,298	16,985	6,693	
Operating transfers in	110,808	102,053	294,187	278,616
Operating transfers out	(110,808)	(102,053)	(294,187)	(278,616)
Other financing uses				(3,477)
<b>Total Other Financing Sources (Uses)</b>	<b>32,298</b>	<b>16,985</b>	<b>6,693</b>	<b>(3,477)</b>
<b>Net Change in Fund Balances</b>	<b>389,126</b>	<b>365,129</b>	<b>207,769</b>	<b>274,665</b>
<b>Fund Balances:</b>				
July 1,	2,849,512	2,485,134	2,255,604	1,982,866
Prior period adjustments		(3,484)	20,204	
July 1, as restated	2,849,512	2,481,650	2,275,808	1,982,866
<b>Increase (Decrease) in reserve for inventory</b>	<b>1,935</b>	<b>2,733</b>	<b>1,557</b>	<b>(1,927)</b>
June 30,	\$ 3,240,573	2,849,512	2,485,134	2,255,604

\*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2008, which collectively comprise Mound Bayou Public School District's basic financial statements and have issued our report thereon dated December 15, 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 15, 2008

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Mound Bayou Public School District

Compliance

We have audited the compliance of the Mound Bayou Public 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 school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, 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 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, the Mound Bayou Public 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 Mound Bayou Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on 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.

AICPA & MSCPA

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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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 15, 2008

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2008, which collectively comprise Mound Bayou Public School District's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3)(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 \$17,315 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 those 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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 15, 2008

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Mound Bayou Public 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:
  - (1) Material weakness(es) identified? No.
  - (2) Significant deficiency(ies) identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses?  
No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA# 10.553  
CFDA# 10.555  
CFDA# 10.559
  - b. Title I Grants to Local Educational Agencies.  
CFDA# 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs was:  
\$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

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

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.