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**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**AUDIT REPORT**

**JUNE 30, 2008**

**OKTIBBEHA COUNTY SCHOOL DISTRICT  
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**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**



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

Superintendent and School Board  
Oktibbeha 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 Oktibbeha County School District as of and for the year ended June 30, 2008, which collectively comprise the Oktibbeha County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oktibbeha 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 Oktibbeha 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 January 21, 2010, on our consideration of the Oktibbeha 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 Managements Discussion and Analysis on pages 5 through 13 and the Budgetary Comparison Schedules and corresponding notes on pages 42 through 45 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 Oktibbeha 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.

Watkins, Ward and Stafford, PLLC  
Starkville, Mississippi  
January 21, 2010

*Watkins, Ward and Stafford, PLLC*

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The discussion and analysis of Oktibbeha 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 for 2008 increased \$146,498, including a prior period adjustment of (\$49,885), which represents a 8.7% increase from fiscal year 2007. Total net assets for 2007 increased \$410,755, including a prior period adjustment of \$88,833, which represents a 32% increase from fiscal year 2006.
- General revenues account for \$8,361,962 and \$8,094,996, or 76% and 76% 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 \$2,603,810, or 24% of total revenues for 2008, and \$2,533,035, or 24% of total revenues for 2007.
- The District had \$10,769,419 and \$10,306,109, in expenses for fiscal years 2008 and 2007; only \$2,603,810 for 2008 and \$2,533,035 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,361,962 for 2008 and \$8,094,996 for 2007 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,672,758 in revenues and \$8,122,698 in expenditures for 2008 and \$7,347,356 in revenues and \$7,451,774 in expenditures in 2007. The General Fund's fund balance increased by \$171,403, including the effects of a prior period adjustment of \$3,077, from 2007 to 2008, and increased by \$183,871, including the effects of prior period adjustment of \$129,814, from 2006 to 2007.
- Capital assets, net of accumulated depreciation, increased by \$219,812 for 2008 and decreased by \$181,468 for 2007. The increase of 2008 was due to the purchase of several school buses netted against the increase in accumulated depreciation.
- Long-term debt increased by \$659,937 for 2008 and decreased by \$254,789 for 2007. This increase was due to the district borrowing funds to purchase school buses and incurring additional debt in the form of an energy efficiency lease. The liability for compensated absences decreased by \$5,594 for 2008 and decreased by \$23,590 for 2007.

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

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

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 and each additional special revenue major fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found in this report.

Also, included in the other supplemental information section are 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. This information 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.

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

**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 \$1,832,132 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 years ended June 30, 2008 and June 30, 2007.

**Table 1  
 Condensed Statement of Net Assets**

	2008	2007	Total
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
			<u>Change</u>
Current assets	\$ 3,022,455	\$ 2,544,936	18.8%
Restricted assets	733,299	706,724	3.8%
Capital assets, net	<u>1,710,159</u>	<u>1,490,347</u>	14.7%
<b>Total assets</b>	<b>\$ <u>5,465,913</u></b>	<b>\$ <u>4,742,007</u></b>	<b>15.3%</b>
Current liabilities	\$ 228,045	\$ 310,574	(26.6)%
Long-term debt outstanding	<u>3,405,736</u>	<u>2,745,799</u>	24.0%
<b>Total liabilities</b>	<b>\$ <u>3,633,781</u></b>	<b>\$ <u>3,056,373</u></b>	<b>18.9%</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ (1,666,920)	( 1,221,201)	(36.5)%
Restricted	3,126,836	2,711,616	15.3%
Unrestricted	<u>372,216</u>	<u>195,219</u>	90.7%
<b>Total net assets</b>	<b>\$ <u>1,832,132</u></b>	<b>\$ <u>1,685,634</u></b>	<b>8.7%</b>

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

- Increase in net capital assets in the amount of \$219,812
- The principal retirement of \$241,939 of long-term debt.  
 Debt incurred to purchase school buses of \$277,000 and a new energy efficiency lease of \$630,470.

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

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 and June 30, 2007 were \$10,965,772 and \$10,628,031, respectively. The total cost of all programs and services was \$10,769,419 for 2008 and \$10,306,109 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

**Table 2  
Change(s) in Net Assets**

	Change in Net Assets		Percentage
	June 30, 2008	June 30, 2007	Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 156,866	\$ 150,904	4.0%
Operating grants and contributions	2,446,944	2,382,131	2.7%
General revenues:			
Property taxes	3,134,239	3,015,870	3.9%
Grants and contributions not restricted	4,828,206	4,540,354	6.3%
Investment earnings	67,431	75,264	(10.4)%
Sixteenth section sources	300,840	379,764	(20.8)%
Other	31,246	83,744	(62.7)%
<b>Total revenues</b>	<u>10,965,772</u>	<u>10,628,031</u>	<u>3.2%</u>
<b>Expenses:</b>			
Instruction	5,705,371	5,373,203	6.2%
Support services	4,220,983	4,107,000	2.8%
Non-instructional	659,788	626,513	5.3%
Sixteenth section	49,907	55,578	(10.2)%
Interest and other expense on long-term liabilities	133,370	143,815	(7.3)%
<b>Total expenses</b>	<u>10,769,419</u>	<u>10,306,109</u>	<u>4.5%</u>
<b>Increase (Decrease) in net assets</b>	<u>196,353</u>	<u>321,922</u>	<u>(39.0)%</u>
<b>Net Assets, July 1</b>	1,685,634	1,274,879	32.2%
<b>Prior Period Adjustments</b>	( 49,855 )	88,833	(156.1)%
<b>Net Assets Restated, July 1</b>	<u>1,635,779</u>	<u>1,363,712</u>	<u>20.0%</u>
<b>Net Assets, June 30</b>	<u>\$ 1,832,132</u>	<u>\$ 1,685,634</u>	<u>8.7%</u>

**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.

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

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2008</b>	<b>2007</b>	
Instruction	\$ 5,705,371	\$ 5,373,203	6.2%
Support services	4,220,983	4,107,000	2.8%
Non-instructional	659,788	626,513	5.3%
Sixteenth section	49,907	55,578	(10.2)%
Interest on long-term liabilities	133,370	143,815	(7.3)%
<b>Net expenses</b>	<b>\$ 10,769,419</b>	<b>\$ 10,306,109</b>	<b>4.5%</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2008</b>	<b>2007</b>	
Instruction	( 4,305,952 )	( 4,072,599 )	(5.7)%
Support services	( 3,632,036 )	( 3,458,829 )	(5.0)%
Non-instructional	( 62,162 )	( 42,253 )	(47.1)%
Sixteenth section	( 32,089 )	( 55,578 )	42.3%
Interest on long-term liabilities	( 133,370 )	( 143,815 )	7.3%
<b>Total net (expense) revenue</b>	<b>\$ ( 8,165,609 )</b>	<b>\$ ( 7,773,074 )</b>	<b>(5.0)%</b>

- Net cost of governmental activities (\$8,165,609 and \$7,773,074) was financed by general revenue, which is made up of primarily property taxes of (\$3,134,239 for 2008 and \$3,015,879 for 2007) and state and federal revenues of (\$4,828,206 for 2008 and \$4,540,354 for 2007). In addition, there was \$300,840 and \$379,764 in Sixteenth Section sources for 2008 and 2007, respectively.
- Investment earnings amounted to \$67,431 for 2008 and \$75,264 for 2007.

**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.

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

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 \$3,580,345, an increase of \$594,158, which includes the prior period adjustment of \$4,915, and the decrease in inventory of \$4,591. The primary reason for this increase is the unexpended portion of the proceeds of the energy efficiency lease still on hand at June 30, 2008. \$1,534,734 or 42% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,045,611 or 58% 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 \$171,403, including a prior period adjustment of \$3,077. The fund balance of Other Governmental Funds showed a decrease in the amount of \$23,046, which includes a prior period adjustment of \$1,838 and a decrease in reserve for inventory of \$4,591. The other increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major fund</u>	<u>Increase (Decrease)</u>
Title 1 Fund	no increase or decrease
16 <sup>th</sup> Section Interest Fund	\$ (193,405)
Building Projects/Energy Savings Fund	527,923
16 <sup>th</sup> Section Principle Fund	111,283

**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.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each major special revenue 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 \$4,468,815, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$318,395 from 2007. Total accumulated depreciation as of June 30, 2008, was \$2,758,656, and total depreciation expense for the year was \$147,019, resulting in total net capital assets of \$1,710,159.

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

**Table 4  
Capital Assets**

	<b>Table 4 Capital Assets</b>		<b>Percentage Change</b>
	<b>Capital Assets, Net of Depreciation</b>		
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	
Land	\$ 11,450	\$ 11,450	-
Construction in Progress	103,236	-	N/A
Buildings	1,011,666	1,089,287	(7.1)%
Mobile equipment	543,617	345,075	57.5%
Furniture and equipment	40,190	44,535	(9.8)%
<b>Total</b>	<b>\$ 1,710,159</b>	<b>\$ 1,490,347</b>	<b>14.7%</b>

**Debt Administration.** At June 30, 2008, the District had \$3,405,736 in outstanding long-term debt, of which \$337,200 is due within one year. In addition, the liability for compensated absences decreased \$5,594 from the prior year. During the year the district borrowed \$277,000 to purchase school buses and entered into an energy efficiency lease in the amount of \$630,470.

**Table 5  
Outstanding Long-Term Debt**

	<b>Outstanding Long-term Debt</b>		<b>Percentage Change</b>
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	
Limited obligation bonds payable	\$ 1,920,000	\$ 2,050,000	(6.3)%
Transportation equipment loans payable	472,513	251,054	88.2%
Obligations under energy efficiency lease	630,470	-	N/A
Other loans payable	354,096	410,494	(13.7)%
Compensated absences payable	28,657	34,251	(16.3)%
<b>Total</b>	<b>\$ 3,405,736</b>	<b>\$ 2,745,799</b>	<b>24.0%</b>

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

**CURRENT ISSUES**

The Oktibbeha 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 is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

The District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2007-2008 year increased by 9% to 875 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Oktibbeha County School District, 105 North Washington Street, Starkville, MS 39759.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**Oklahoma County School District  
Statement of Net Assets  
June 30, 2008**

**Exhibit A**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,275,306
Investments	110,757
Due from other governments	524,748
Other receivables, net	101,415
Inventories	10,229
Restricted assets	733,299
Capital assets, non-depreciable:	
Land	11,450
Construction in progress	103,236
Capital assets, net of accumulated depreciation:	
Buildings	1,011,666
Mobile equipment	543,817
Furniture and equipment	<u>40,190</u>
<b>Total Assets</b>	<b><u>5,465,913</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	137,418
Unearned revenue	37,991
Interest payable on long-term liabilities	52,836
Long-term liabilities, due within one year	
Capital related liabilities	337,200
Long-term liabilities, due beyond one year	
Capital related liabilities	3,039,879
Non-capital related liabilities	<u>28,857</u>
<b>Total Liabilities</b>	<b><u>3,633,761</u></b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(1,666,920)
Restricted net assets:	
Expendable:	
School-based activities	1,144,090
Debt service	441,626
Capital improvements	532,179
Forestry improvements	28,043
Unemployment benefits	27,892
Non-expendable:	
Sixteenth section	953,006
Unrestricted	<u>372,216</u>
<b>Total Net Assets</b>	<b><u>\$ 1,832,132</u></b>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 5,705,371	73,005	1,326,414		(4,305,952)
Support services	4,220,983		588,947		(3,632,036)
Non-instructional	659,788	66,043	531,583		(62,162)
Sixteenth section	49,907	17,818			(32,089)
Interest on long-term liabilities	133,370				(133,370)
<b>Total Governmental Activities</b>	<b>\$ 10,769,419</b>	<b>156,866</b>	<b>2,446,944</b>	<b>0</b>	<b>(8,165,609)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
					2,971,947
					162,292
<b>Unrestricted grants and contributions:</b>					
					4,620,665
					207,541
					67,431
					300,840
					31,246
					<u>8,361,962</u>
					<u>196,353</u>
					1,685,634
					<u>(49,855)</u>
					<u>1,635,779</u>
					<u>\$ 1,832,132</u>

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

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

Exhibit C

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title 1 Fund	18th Section Interest Fund	Building Project/Energy Savings Fund	18th Section Principal Fund		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 200,818		955,418	631,159	733,299	487,911	3,008,605
Investments						110,757	110,757
Due from other governments	181,218	91,798				251,732	524,748
Other receivables, net			17,298				17,298
Due from other funds	403,601		17,378		11,474		432,451
Advance to other funds					208,233		208,233
Inventories						10,229	10,229
<b>Total Assets</b>	<b>\$ 785,637</b>	<b>91,798</b>	<b>990,090</b>	<b>631,159</b>	<b>953,008</b>	<b>860,829</b>	<b>4,312,319</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 22,818	3,538		103,236		7,826	137,418
Due to other funds	153,713	88,260	2,398			103,961	348,332
Advances from other funds	208,233						208,233
Unearned revenue			14,578			23,415	37,991
<b>Total Liabilities</b>	<b>384,764</b>	<b>91,798</b>	<b>18,974</b>	<b>103,236</b>	<b>0</b>	<b>135,202</b>	<b>731,974</b>
<b>Fund Balances:</b>							
<b>Reserved for:</b>							
Inventory						10,229	10,229
Capital projects				527,923		4,256	532,179
Debt service						494,262	494,262
Unemployment benefits						27,892	27,892
Forestry improvement purposes						28,043	28,043
Permanent fund purposes					953,008		953,008
<b>Undesignated, reported in:</b>							
General Fund	400,873						400,873
Special Revenue Funds			973,116			180,745	1,133,661
<b>Total Fund Balances</b>	<b>400,873</b>	<b>0</b>	<b>973,116</b>	<b>527,923</b>	<b>953,008</b>	<b>725,427</b>	<b>3,580,345</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 785,637</b>	<b>91,798</b>	<b>990,090</b>	<b>631,159</b>	<b>953,008</b>	<b>860,829</b>	<b>4,312,319</b>

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

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

**Exhibit C-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,580,345
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 \$2,758,656.	1,710,159
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,405,736)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(52,636)</u>
Total Net Assets - Governmental Activities	\$ <u><u>1,832,132</u></u>

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

Oldlibbehs County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

Exhibit D

	Major Funds						Total
	General	Title 1	18th Section	Building	18th Section	Other	
	Fund	Fund	Interest Fund	Projects/Energy Savings Fund	Principal Fund	Governmental Funds	Governmental Funds
<b>Revenues:</b>							
Local sources	\$ 3,090,197			689	8,825	245,088	3,344,799
State sources	4,375,020					347,822	4,722,842
Federal sources	207,541	663,450				1,681,318	2,552,307
Sixteenth section sources			235,841			102,458	354,849
<b>Total Revenues</b>	<b>7,872,758</b>	<b>663,450</b>	<b>235,841</b>	<b>689</b>	<b>111,283</b>	<b>2,290,578</b>	<b>10,874,597</b>
<b>Expenditures:</b>							
Instruction	4,309,323	281,727				1,089,177	5,680,227
Support services	3,801,008	296,748				312,800	4,410,556
Noninstructional services	3,542	74,701				595,017	673,260
Sixteenth section			32,441			17,466	49,907
Facilities acquisition and construction				103,238			103,238
Debt service:							
Principal						241,839	241,839
Interest	8,825					125,261	134,086
Other						574	574
<b>Total Expenditures</b>	<b>8,122,698</b>	<b>653,176</b>	<b>32,441</b>	<b>103,238</b>	<b>0</b>	<b>2,382,234</b>	<b>11,293,785</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(449,940)</b>	<b>10,274</b>	<b>203,400</b>	<b>(102,547)</b>	<b>111,283</b>	<b>(91,656)</b>	<b>(319,188)</b>
<b>Other Financing Sources (Uses):</b>							
Proceeds of loans	277,000			630,470			907,470
Insurance loss recoveries	1,662						1,662
Sale of other property	3,890						3,890
Operating transfers in	430,160					94,446	524,606
Operating transfers out	(94,446)	(10,274)	(396,805)			(23,081)	(524,606)
<b>Total Other Financing Sources (Uses)</b>	<b>618,268</b>	<b>(10,274)</b>	<b>(396,805)</b>	<b>630,470</b>	<b>0</b>	<b>71,365</b>	<b>913,022</b>
<b>Net Change in Fund Balances</b>	<b>168,328</b>	<b>0</b>	<b>(183,405)</b>	<b>527,923</b>	<b>111,283</b>	<b>(20,293)</b>	<b>593,834</b>
<b>Fund Balances:</b>							
July 1, 2007	229,470	0	1,166,521	0	841,723	748,473	2,986,187
Prior period adjustments	3,077					1,838	4,915
July 1, 2007, as restated	232,547	0	1,166,521	0	841,723	750,311	2,991,102
<b>Increase (Decrease) in reserve for inventory</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,591)</b>	<b>(4,591)</b>
<b>June 30, 2008</b>	<b>\$ 400,873</b>	<b>0</b>	<b>973,116</b>	<b>527,923</b>	<b>953,008</b>	<b>725,427</b>	<b>3,580,345</b>

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

**Oktibbeha 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**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 593,834
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$432,858 and the depreciation expense amounted to \$147,019.	285,839
2. Proceeds of general long-term debt are reported as an other financing source in the governmental funds, but the receipt increases long-term liabilities in the Statement of Net Assets.	(907,470)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	241,939
4. 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.	(7,535)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(11,257)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (increased) decreased in the Statement of Activities.	(4,591)
7. 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	5,594
Change in Net Assets of Governmental Activities	\$ <u>196,353</u>

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

**Oktlbeha County School District  
Statement of Fiduciary Net Assets  
June 30, 2008**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 543,279
Due from other funds	124,863
	<hr/>
<b>Total Assets</b>	<b>\$ <u>668,142</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 455,626
Due to other funds	208,982
Due to student clubs	3,534
	<hr/>
<b>Total Liabilities</b>	<b>\$ <u>668,142</u></b>

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

# OKTIBBEHA COUNTY SCHOOL DISTRICT

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

### 1. Summary of Significant Accounting Policies.

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

#### A. Financial Reporting Entity.

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

For financial reporting purposes, Oktibbeha 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.

## OKTIBBEHA COUNTY SCHOOL DISTRICT

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

#### B. Basis of Presentation (Continued):

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

The school district reports the following major governmental funds:

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

**Title 1 Fund** – This is a Special Revenue Fund that accounts for federal revenue received through the Title 1 grants to local educational agencies and related expenditures incurred for Title 1 grants.

**16<sup>th</sup> Section Interest Fund** – This is a Special Revenue Fund that accounts for the expendable resources derived from the use of sixteenth section lands held in trust by the school district and from the investment of sixteenth section funds.

**Building Project/Energy Savings Fund** – This is a capital projects fund that accounts for the expendable resources of an energy lease used to finance various energy efficiency improvements for the school district.

**16<sup>th</sup> Section Principal Fund** – This is a permanent Fund that accounts for the nonexpendable resources derived from the use of sixteenth section lands held in trust by the school district and from the investment of sixteenth section funds.

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

## OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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 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 accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as 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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

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

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.

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 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.

## OKTIBBEHA COUNTY SCHOOL DISTRICT

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

#### 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 a 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 the interfund loans.). All other outstanding balances between funds are reported as "due to/from other funds."

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

##### 3. Due from Other Governments

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

##### 4. Inventories and Prepaid Items.

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

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

5. Restricted Assets.

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

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.

	<u>Capitalization Policy</u>	<u>Estimated 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 amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

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 Expenses, and Bond Discounts/Premiums.**

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

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

9. **Fund Equity.**

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

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

## OKTIBBEHA COUNTY SCHOOL DISTRICT

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

Reserved for debt service – An account that represents that portion of fund balance in the Debt Service Fund which is 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 Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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. Amounts less than \$100 can be credited to the General fund.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

2. Cash and Cash Equivalents and Investments (Continued):

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,008,605 and \$543,279, respectively. The bank balance was \$4,103,286.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$4,103,286 was exposed to custodial credit risk.

Investments.

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

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Funds	Less than 1	\$  <u>110,757</u>	  AAAm
Total Investments		\$ <u>110,757</u>	

The carrying amount of investments of \$110,757, was reported in the government-wide financial statements as investments. This represents the investment balance in the MAEP Debt Service Fund which is legally restricted and may not be used for purposes that support the district's programs.

*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 Section 27-105-3(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

3. Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/to Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title 1 Fund	\$ 88,260
	16 <sup>th</sup> Section Interest Fund	2,398
	Other Governmental Funds	103,961
	Fiduciary Funds	208,982
16 <sup>th</sup> Section Interest Fund	General Fund	17,376
16 <sup>th</sup> Section Principal Fund	General Fund	11,474
Fiduciary Funds	General Fund	<u>124,863</u>
 Total		 \$ <u>557,314</u>

The interfund loans above are primarily to reflect short-term obligations owed by one fund to another fund until revenues are received and to reflect amounts owed to clearing funds from governmental funds.

B. Advances To/From Other Funds.

<b>Receivable fund</b>	<b>Payable Fund</b>	<b>Amount</b>
16 <sup>th</sup> Section Principal Fund	General Fund	\$ <u>208,233</u>
 Total		 \$ <u>208,233</u>

Sixteenth section principal loans payable

Note: the Sixteenth section principal loans payable are 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 are reflected on Exhibit D-1.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 23,697	7,898	31,595
2010	24,863	6,932	31,595
2011	25,667	5,928	31,595
2012	26,713	4,882	31,595
2013	27,801	3,794	31,595
2014-2018	<u>79,692</u>	<u>4,558</u>	<u>84,250</u>
 Total	 \$ <u>208,233</u>	 <u>33,992</u>	 <u>242,225</u>

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

**C. Inter-fund Transfers.**

<u>Transfers out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 94,446
Title 1 Fund	General Fund	10,274
16 <sup>th</sup> Section Interest Fund	General Fund	396,805
Other Governmental Funds	General Fund	<u>23,081</u>
<b>Total</b>		<b>\$ <u>524,606</u></b>

The transfers were primarily to move revenue to finance other programs that are accounted for in other funds in accordance with budgetary authorizations.

**4. Restricted Assets.**

The restricted assets represent the cash balance totaling \$733,299 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:

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments*</u>	<u>Balance 6/30/2008</u>
<b>Governmental activities:</b>					
<b>Non-depreciable capital assets:</b>					
Land	11,450	-	-	-	11,450
Construction In Progress	-	103,236	-	-	103,236
<b>Total non-depreciable capital assets</b>	<u>11,450</u>	<u>103,236</u>	<u>-</u>	<u>-</u>	<u>114,886</u>
<b>Depreciable capital assets:</b>					
Buildings	2,543,595	-	-	-	2,543,595
Mobile equipment	1,425,287	306,773	( 100,521 )	-	1,631,519
Furniture and equipment	170,108	22,849	( 13,942 )	-	179,015
<b>Total depreciable capital assets</b>	<u>4,138,970</u>	<u>329,622</u>	<u>( 114,463 )</u>	<u>-</u>	<u>4,354,129</u>
<b>Less accumulated depreciation for:</b>					
Buildings	1,454,308	26,599	-	51,022	1,531,929
Mobile equipment	1,080,192	98,179	( 90,469 )	-	1,087,902
Furniture and equipment	125,573	22,241	( 12,737 )	3,746	138,825
<b>Total accumulated depreciation</b>	<u>2,660,073</u>	<u>147,019</u>	<u>( 103,206 )</u>	<u>54,770</u>	<u>2,758,656</u>
<b>Total depreciable capital assets, net</b>	<u>1,478,897</u>	<u>182,603</u>	<u>( 11,257 )</u>	<u>( 54,770 )</u>	<u>1,595,473</u>
<b>Governmental activities capital assets, net</b>	<u>1,490,347</u>	<u>285,839</u>	<u>( 11,257 )</u>	<u>( 54,770 )</u>	<u>1,710,159</u>

\*Adjustments represent prior period corrections to accumulated depreciation totals noted on 7/01/2007 balances.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

Depreciation expense was charged to the following governmental functions:

Governmental activities:	<u>Amount</u>
Instruction	\$ 29,488
Support services	112,745
Non-instructional	<u>4,786</u>
 Total Depreciation Expense	 \$ <u>147,019</u>

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

	<u>Spent to June 30, 2008</u>	<u>Remaining Commitment</u>
Governmental Activities		
Energy efficiency project	\$ <u>103,236</u>	<u>527,923</u>
 Total	 \$ <u>103,236</u>	 <u>527,923</u>

6. Long-term Liabilities:

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

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2008</u>	<u>Amounts due within one year</u>
A. Limited obligation bonds payable	\$ 2,050,000		130,000	1,920,000	140,000
B. Transportation equipment loans	251,054	277,000	55,541	472,513	137,833
C. Obligations under energy efficiency	-	630,470		630,470	-
D. Other loans payable	410,494		56,398	354,096	59,267
E. Compensated absences payable	<u>34,251</u>		<u>5,594</u>	<u>28,657</u>	<u>-</u>
 Total	 \$ <u>2,745,799</u>	 <u>907,470</u>	 <u>247,533</u>	 <u>3,405,736</u>	 <u>337,200</u>

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Note to Financial Statements  
For the Year Ended June 30, 2008**

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:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds	4.375-5.7%	6/1/1998	2/1/2018	\$ 2,745,000	1,920,000
Total				\$ 2,745,000	1,920,000

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

1. Limited obligation bond issue of June 1, 1998.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 140,000	84,503	224,503
2010	145,000	78,250	223,250
2011	150,000	71,685	221,685
2012	160,000	64,630	224,630
2013	170,000	57,040	227,040
2014-2018	1,155,000	158,815	1,313,815
Total	1,920,000	514,923	2,434,923

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, Section 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Service Fund.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

**B. Transportation equipment loans payable.**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Regions Bank (SPED Bus)	5.00%	10/29/2001	5/1/2011	\$ 55,960	26,199
Regions Bank (10 Buses)	5.82%	5/1/2001	5/1/2011	465,780	169,314
Cadence Bank (Buses)	4.22%	9/13/2007	9/10/2011	277,000	277,000
<b>Total</b>				<b>\$ 798,740</b>	<b>472,513</b>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009 \$	137,933	22,950	160,883
2010	141,314	16,253	157,567
2011	132,266	9,560	141,826
2012	61,000	2,610	63,610
<b>Total</b>	<b>472,513</b>	<b>51,373</b>	<b>523,886</b>

This debt will be retired from the Transportation Debt Service Fund.

**C. Obligations under energy efficiency lease.**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1 All American Investment Group, LLC - Energy Efficiency Improvements	4.55%	6/12/2008	11/5/2023	\$ 630,470	630,470
<b>Total</b>				<b>630,470</b>	<b>630,470</b>

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

Details of the district's June 30, 2008 energy efficiency lease payable are as follows:

1. Obligations under energy efficiency lease issued June 12, 2008.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2009 \$	-	29,080	29,080
2010	12,915	46,007	58,922
2011	33,950	25,735	59,685
2012	35,522	24,163	59,685
2013	37,165	22,520	59,685
2014-2018	213,278	85,145	298,423
2019-2023	267,418	31,005	298,423
2024-2028	30,222	501	30,723
Total \$	<u>630,470</u>	<u>264,156</u>	<u>894,626</u>

This debt will be retired from the District Maintenance Fund.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

D. Other loans payable.

The school district took out a loan at Bank First Financial Services on June 27, 2001 for \$400,000 to help finance the school renovations. The loan is to be paid back over a period of sixteen years with fifteen annual payments of \$38,891 and a sixteenth final payment of \$2,746 with an interest rate of 5.06%. The school district took out another loan at Regions Bank (formerly AmSouth Bank) on October 29, 2002 for \$250,000 to help finance school renovations. The loan is to be paid back over a period of eight years with annual payments of \$37,316 with an interest rate of 4.12%.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Bank First Financial Services	5.06%	6/27/2001	6/28/2017	\$ 400,000	250,064
Regions Bank	4.12%	10/29/2002	10/29/2010	250,000	104,032
Total				\$ 650,000	354,096

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 59,267	16,940	76,207
2010	61,956	14,251	76,207
2011	65,571	11,439	77,010
2012	30,425	8,466	38,891
2013	31,965	6,926	38,891
2014-2018	104,912	10,742	115,654
Total	354,096	68,764	422,860

The debt will be retired from the EEF Buildings and Buses Fund and the Transportation Debt Service Fund.

E. Compensated absences payable.

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

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 employer's 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 \$640,873, \$606,014, and \$584,865, 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 there from 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.

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 84,125
2010	69,251
2011	64,511
2012	61,508
2013	59,003
2014-2018	275,533
2019-2023	275,533
2024-2028	267,126
2029-2033	231,987
Thereafter	437,544
Total	<u>\$ 1,826,121</u>

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Note to Financial Statements  
For the Year Ended June 30, 2008**

9. Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 Adjustment to correct prior year errors in accumulated depreciation	\$ (54,770)
2 Adjustment to void outstanding checks greater than one year old	23,411
3 Adjustment to correct prior year errors in due from other governments	(20,334)
4 Adjustment to correct beginning of the year investment balance	<u>1,838</u>
 Total	 \$ <u>(49,855)</u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	Adjustment to void outstanding checks greater than one year old	\$ 23,411
	Adjustment to correct prior year errors in due from other governments	(20,334)
Other governmental funds	Adjustment to correct beginning of the year investment balance	<u>1,838</u>
 Total		 \$ <u>4,915</u>

10. 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.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

**11. Risk Management.**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; 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 members' 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.

**12. Subsequent Events**

On March 30, 2009, the district awarded a roofing contract to Mid-Western Roofers, Inc., in the amount of \$96,710.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Oklahoma 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
<b>Revenues:</b>					
Local sources	\$ 3,332,111	3,077,313	3,090,197	(254,798)	12,864
State sources	4,500,917	4,368,378	4,375,020	(132,539)	6,642
Federal sources	158,000	207,541	207,541	51,541	0
<b>Total Revenues</b>	<b>7,989,028</b>	<b>7,653,232</b>	<b>7,672,758</b>	<b>(335,796)</b>	<b>19,526</b>
<b>Expenditures:</b>					
Instruction	4,345,788	4,317,312	4,309,323	28,456	7,989
Support services	3,443,545	3,787,069	3,801,008	(343,524)	(13,939)
Noninstructional services	5,688	3,542	3,542	2,146	0
Debt service:				0	0
Principal	22,789	22,242		527	22,242
Interest	8,826	9,353	8,825	(527)	526
<b>Total Expenditures</b>	<b>7,826,596</b>	<b>6,139,518</b>	<b>6,122,698</b>	<b>(312,922)</b>	<b>16,820</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>162,432</b>	<b>(466,286)</b>	<b>(449,940)</b>	<b>(648,718)</b>	<b>36,346</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans		277,000	277,000	277,000	0
Insurance loss recoveries		1,662	1,862	1,862	0
Sale of other property		3,890	3,890	3,890	0
Operating transfers in	939,489	1,216,759	430,160	279,270	(788,599)
Operating transfers out	(1,001,668)	(878,069)	(94,448)	123,599	783,623
<b>Total Other Financing Sources (Uses)</b>	<b>(62,179)</b>	<b>623,242</b>	<b>616,266</b>	<b>665,421</b>	<b>(4,978)</b>
<b>Net Change in Fund Balances</b>	<b>100,253</b>	<b>136,956</b>	<b>168,326</b>	<b>36,703</b>	<b>31,370</b>
<b>Fund Balances:</b>					
July 1, 2007		108,568	229,470	108,568	120,864
Prior period adjustments			3,077	0	3,077
July 1, 2007, as restated	0	108,568	232,547	108,568	123,941
<b>June 30, 2008</b>	<b>\$ 100,253</b>	<b>245,542</b>	<b>400,873</b>	<b>145,269</b>	<b>155,331</b>

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

Oktibbeha County School District  
 Budgetary Comparison Schedule  
 Title 1 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	\$ 722,638	663,450	663,450	(59,188)	0
Total Revenues	<u>722,638</u>	<u>663,450</u>	<u>663,450</u>	<u>(59,188)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	284,619	281,727	281,727	2,892	0
Support services	338,994	296,748	296,748	42,246	0
Noninstructional services	88,751	74,701	74,701	14,050	0
Total Expenditures	<u>712,364</u>	<u>653,176</u>	<u>653,176</u>	<u>59,188</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>10,274</u>	<u>10,274</u>	<u>10,274</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(10,274)	(10,274)	(10,274)	0	0
Total Other Financing Sources (Uses)	<u>(10,274)</u>	<u>(10,274)</u>	<u>(10,274)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Oktibbeha County School District  
 Budgetary Comparison Schedule  
 16th Section Interest 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>					
Local sources	\$ 0	21,542	0	21,542	(21,542)
Sixteenth section sources	112,500	211,579	235,841	99,079	24,262
Total Revenues	112,500	233,121	235,841	120,621	2,720
<b>Expenditures:</b>					
Sixteenth section	41,300	32,441	32,441	8,859	0
Total Expenditures	41,300	32,441	32,441	8,859	0
Excess (Deficiency) of Revenues over Expenditures	71,200	200,680	203,400	129,480	2,720
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	0	(396,805)	(396,805)	(396,805)	0
Total Other Financing Sources (Uses)	0	(396,805)	(396,805)	(396,805)	0
Net Change in Fund Balances	71,200	(196,125)	(193,405)	(287,325)	2,720
<b>Fund Balances:</b>					
July 1, 2007	0	1,171,521	1,166,521	1,171,521	(5,000)
June 30, 2008	\$ 71,200	975,396	973,116	904,196	(2,280)

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

**OKTIBBEHA COUNTY 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 Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

2. **Budget Amendments and Revisions.**

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

**Oktibbeha 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 No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed through the Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10.653	186,110
National school lunch program	10.555	350,535
Total		<u>536,645</u>
Forest services:		
National forest-dependent rural communities	10.670	63,264
Total U.S. Department of Agriculture		<u>599,909</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	107,508
Total Federal Communications Commission		<u>107,508</u>
<b><u>U.S. Department of Interior</u></b>		
Direct program:		
Payments in lieu of taxes	15.226	36,769
Total U.S. Department of Interior		<u>36,769</u>
<b><u>U.S. Department of Education</u></b>		
Passed through the Mississippi Department of Education:		
Title I, grants to local educational agencies	84.010	863,449
Safe and drug free schools and communities - state grants	84.186	9,074
Twenty-first century community learning centers	84.287	166,669
State grants for innovative programs	84.298	1,488
Education technology state grants	84.318	2,952
Gaining early awareness and readiness in undergraduate programs	84.334	16,681
Reading first state grants	84.357	520,582
Rural education	84.358	25,100
Improving teacher quality - state grants	84.367	149,863
Grants for state assessments and related activities	84.369	4,828
Total		<u>1,562,466</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	230,161
Special Education - Preschool Grants	84.173	15,773
Total Special Education Cluster		<u>245,934</u>
Total U.S. Department of Education		<u>1,808,400</u>
<b>Total for All Federal Awards</b>		<b><u>\$ 2,552,586</u></b>

**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.

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits \$	7,557,728	5,269,978	572,908	423,039	1,291,805
Other	3,738,057	1,059,338	388,213	48,713	2,239,793
<b>Total</b>	<b>\$ 11,293,785</b>	<b>6,329,314</b>	<b>961,121</b>	<b>471,752</b>	<b>3,531,598</b>
Total number of students*	875				
Cost per student	\$ 12,907	7,234	1,098	539	4,036

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.

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**OTHER SUPPLEMENTAL INFORMATION**

Oktibbeha County 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	\$ 3,090,197	3,046,081	2,940,869	2,795,999
State sources	4,375,020	4,159,319	4,189,500	4,245,680
Federal sources	<u>207,541</u>	<u>141,958</u>	<u>211,013</u>	<u>116,686</u>
Total Revenues	<u>7,872,758</u>	<u>7,347,358</u>	<u>7,341,382</u>	<u>7,158,365</u>
<b>Expenditures:</b>				
Instruction	4,309,323	4,133,912	4,194,249	3,915,223
Support services	3,801,008	3,302,457	3,848,881	3,129,800
Noninstructional services	3,542	5,868	2,446	6,352
Debt service:				
Interest	<u>8,825</u>	<u>9,717</u>	<u>3,361</u>	
Total Expenditures	<u>8,122,898</u>	<u>7,451,774</u>	<u>8,048,937</u>	<u>7,051,375</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(449,940)</u>	<u>(104,418)</u>	<u>(705,555)</u>	<u>106,990</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	277,000			
Insurance loss recoveries	1,662	41,990	39,141	1,022
Sale of other property	3,890		150	3,798
Operating transfers in	430,160	196,804	991,994	887,656
Operating transfers out	<u>(94,446)</u>	<u>(82,319)</u>	<u>(1,143,930)</u>	<u>(970,838)</u>
Total Other Financing Sources (Uses)	<u>618,286</u>	<u>158,475</u>	<u>(112,645)</u>	<u>(78,362)</u>
Net Change in Fund Balances	<u>168,326</u>	<u>54,057</u>	<u>(818,200)</u>	<u>28,628</u>
<b>Fund Balances:</b>				
July 1,	229,470	45,599	863,799	842,655
Prior period adjustments	<u>3,077</u>	<u>129,814</u>		<u>(7,484)</u>
July 1, as restated	<u>232,547</u>	<u>175,413</u>	<u>863,799</u>	<u>835,171</u>
June 30,	<u>\$ 400,873</u>	<u>229,470</u>	<u>45,599</u>	<u>863,799</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

Oktibbeha County School District  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Funds  
 Last Four Years

\*UNAUDITED\*

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 3,344,799	3,283,792	3,168,128	3,024,893
State sources	4,722,842	4,511,429	4,530,148	4,553,249
Federal sources	2,552,307	2,411,058	2,277,167	2,284,317
Sixteenth section sources	354,848	378,764	288,903	423,390
<b>Total Revenues</b>	<b>10,974,587</b>	<b>10,586,041</b>	<b>10,244,346</b>	<b>10,285,848</b>
<b>Expenditures:</b>				
Instruction	5,680,227	5,360,051	5,332,191	5,166,590
Support services	4,410,556	3,982,788	4,481,535	3,820,238
Noninstructional services	873,260	626,855	647,229	541,019
Sixteenth section	48,907	55,578	52,727	48,875
Facilities acquisition and construction	103,238		11	53,344
<b>Debt service:</b>				
Principal	241,939	231,199	242,377	189,782
Interest	134,086	148,112	153,898	163,098
Other	574		333	
<b>Total Expenditures</b>	<b>11,293,785</b>	<b>10,384,583</b>	<b>10,810,301</b>	<b>9,982,822</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(319,188)</b>	<b>201,458</b>	<b>(665,955)</b>	<b>302,927</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	907,470			
Insurance loss recoveries	1,682	41,990	39,141	1,022
Sale of other property	3,890		150	3,798
Operating transfers in	524,606	281,123	1,229,212	1,007,154
Other financing sources				6,453
Operating transfers out	(524,606)	(281,123)	(1,229,212)	(1,007,154)
Payment to refunded bond escrow agent				(5,903)
Other financing uses		(11)		
<b>Total Other Financing Sources (Uses)</b>	<b>913,022</b>	<b>41,979</b>	<b>39,291</b>	<b>5,370</b>
<b>Net Change in Fund Balances</b>	<b>593,834</b>	<b>243,437</b>	<b>(626,664)</b>	<b>308,297</b>
<b>Fund Balances:</b>				
July 1,	2,986,187	2,603,652	3,229,745	2,917,069
Prior period adjustments	4,915	138,231		4,379
July 1, as restated	2,991,102	2,741,883	3,229,745	2,921,448
<b>Increase (Decrease) in reserve for inventory</b>	<b>(4,591)</b>	<b>867</b>	<b>571</b>	<b>0</b>
<b>June 30,</b>	<b>\$ 3,580,345</b>	<b>2,988,187</b>	<b>2,603,652</b>	<b>3,229,745</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**



**Watkins, Ward and Stafford**  
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Certified Public Accountants

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**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  
Oktibbeha County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County School District as of and for the year ended June 30, 2008, which collectively comprise Oktibbeha County School District's basic financial statements and have issued our report thereon dated January 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-6 and 2008-7 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 Finding 2008-1, 2008-2, 2008-3 and 2008-4 to be a 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated January 21, 2010, which is included in this report.

Oktibbeha 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 Oktibbeha County School District's responses and, accordingly, we express no opinion on them.

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

Watkins, Ward and Stafford, PLLC  
Starkville, Mississippi  
January 21, 2010

*Watkins, Ward and Stafford, PLLC*



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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  
Oktibbeha County School District

Compliance

We have audited the compliance of the Oktibbeha 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 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, Oktibbeha 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 Oktibbeha 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 the 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.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-8, 2008-9 and 2008-10 to be significant deficiencies.

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. Of the significant deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-8, 2008-9 and 2008-10, we consider Finding 2008-8 to be a material weakness.

Oktibbeha 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 Oktibbeha County School District's responses and, accordingly, we express no opinion on them.

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.

Watkins, Ward and Stafford, PLLC  
Starkville, Mississippi  
January 21, 2010

*Watkins, Ward and Stafford, PLLC*

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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



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

Superintendent and School Board  
Oktibbeha County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oktibbeha County School District as of and for the year ended June 30, 2008, which collectively comprise Oktibbeha County School District's basic financial statements and have issued our report thereon dated January 21, 2010. 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)(e), 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."

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 the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$3,603 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Education Enhancement Funds Should Be Allocated Equally Among Teachers and Exclude Federally Funded Teachers

Finding

Section 37-61-3(3)(a)(iii), Miss. Code Ann. (1972), requires that Mississippi public school districts allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers in the school district. Section 37-61-33(3)(a)(iii), Miss Code Ann. (1972), further defines "teacher" for this statute and specifically excludes all federally-funded teachers from being included in the allocation process.

During our test work on EEF, we noted that the district allocated part of the EEF classroom supplies allocation to three federally-funded classroom teachers. We also noted teachers at two schools were allocated \$3.50 more each than teachers at the other two schools.

This noncompliance occurred because the district lacked proper training with respect to state laws concerning the exclusion of federally-funded teachers required by Education Enhancement Funds (EEF) classroom supplies. Also due to inadequate internal controls related to the allocation of EEF Funds, some teachers were allocated more than other teachers.

Noncompliance with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), could result in the district allowing some teachers to spend other teachers' allocations.

Recommendation

We recommend that the district comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires the district to allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers, but to exclude allocation to federally funded teachers.

School District's Response

We will comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires the district to allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers, but to exclude allocation to federally funded teachers.

2. Purchasing Agents Should Be Bonded for the Required Amount

Finding

Section 37-39-21, Miss. Code Ann. (1972), requires that purchasing agents for school districts be bonded in an amount of \$50,000. Per review of surety bonds for purchasing agents' we noted that two of the purchasing agents were only bonded for \$25,000.

The condition occurred due to the district hiring two new purchasing agents and personnel of the district lacking the sufficient training with respect to the state legal compliance requirements regarding bonding of purchasing agents.

Noncompliance with Section 37-39-21, Miss. Code Ann. (1972), could result in the district not bonding purchasing agents for the correct amount.

Recommendation

We recommend the district comply with Section 37-39-21, Miss Code Ann. (1972), which requires that purchasing agents for school districts be bonded in an amount of \$50,000.

School District's Response

We will comply with Section 37-39-21, Miss Code Ann. (1972), which requires that purchasing agents for school districts be bonded in an amount of \$50,000.

3. The District should Only Maintain Bank Accounts in Bank Depositories Approved by the School Board

Finding

Section 37-7-333, Miss. Code Ann. (1972), requires that the school district advertise for bids for all bank depositories. Per review of bank bids it was noted the district only accepted one bank as a depository, however, the district maintained bank accounts in three other banks.

The finding occurred due to the district mistakenly omitting the other three banks from the bank depository list approved in the minutes of the board meetings.

Noncompliance with Section 37-7-333, Miss. Code Ann. (1972), could result in the district maintaining a bank account that is not properly approved as a bank depository.

Recommendation

We recommend the district comply with Section 37-7-333, Miss. Code Ann. (1972), which requires the school district to advertise for bids for all bank depositories.

School District's Response

We will comply with Section 37-7-333, Miss. Code Ann. (1972), which requires the school district to advertise for bids for all bank depositories.

4. Sixteenth Section Leases Should Be Promptly Collected

Finding

Section 29-3-57, Miss. Code Ann. (1972), requires the superintendent of education to collect promptly all rentals due on sixteenth section leases. This section further stipulates that upon a 60 day default in payment of any rentals according to the terms of the lease, the lease shall be terminated unless the board finds extenuating circumstances were present. Per our review of sixteenth section lease payments during the fiscal year we noted that several lease payments were paid later than 60 days past their due date but the leases were not cancelled nor was any documentation noted in the board minutes of any extenuating circumstances present.

Inadequate controls related to collection of sixteenth section lease payments resulted in this noncompliance.

Noncompliance with Section 29-3-57, Miss. Code Ann. (1972), could result in the district not receiving rental income for the use of sixteenth section lands and forfeiture of any interest that the district could have earned on the income.

Recommendation

We recommend the district comply with Section 29-3-57, Miss. Code Ann. (1972), which requires the superintendent of education to collect promptly all rentals due on sixteenth section leases. This section further stipulates that upon a 60 day default in payment of any rentals according to the terms of the lease, the lease shall be terminated unless the board finds extenuating circumstances were present.

School District's Response

The Land Management Service acting on behalf of Oktibbeha County School District sent reminders to all 16<sup>th</sup> Section lease holders 30 days prior to the anniversary date of the annual rental payment.

5. Interest Earned Should Be Allocated To Individual Funds Inside the Pooled Account

Finding

Section 37-59-43(3), Miss Code Ann. (1972), states, "All earnings from funds other than bond funds or bond sinking funds in excess of One Hundred Dollars (100.00) in any fiscal year, ....shall be deposited in the district fund from which the investment was made..."

During our testing of cash we noted that interest earned in excess of \$100 in the pooled bank account was not allocated to the funds from which the investment was made.

Inadequate controls concerning interest resulted in this noncompliance with Section 37-59-43(3), Miss. Code Ann. (1972).

Recommendation

We recommend the district comply with Section 37-59-43(3), Miss. Code Ann. (1972), which requires earnings from funds other than bond funds or bond sinking funds in excess of One Hundred Dollars (100.00) in any fiscal year be deposited in the district fund from which the investment was made.

School District's Response

Interest earning will be distributed among funds deposited in pooled bank accounts.

6. Proper Forms Should Be Filed For All Retirees

Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgement of Re-employment of Retiree" with the PERS office within five days from the date of employment for the retiree.

Per review of documentation received from PERS it was noted that PERS did not receive four (4) PERS Form 4B Certification/Acknowledgement of Retirement of Retiree Form for re-employed retirees.

Lack of internal controls related to the payroll cycle resulted in district personnel not filing all of the necessary forms required for PERS service retirees.

The retiree's retirement income could be affected by the district not filing PERS Form 4B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment of the service retiree.

Recommendation

We recommend that the district implement procedures to ensure that the district files PERS Form 4B "Certification/Acknowledgement of Re-employment of Retiree" for all retirees rehired by the school district within five days from the date of employment of the retiree.

School District's Response

The District will identify all rehires at the beginning of each school year and create a form packet that will be filled out before beginning to work. The forms will be sent to PERS in a timely fashion to ensure compliance with all pertinent regulations.

7. "Notice of Tax Increase" Should Be Properly Published to Request Additional Ad Valorem Tax Effort

Finding

Section 27-39-207, Miss. Code Ann. (1972), requires that the Mississippi Public School Districts publish a notice of tax increase if the district requests an increase in ad valorem tax from the local levying authorities. The statute is very specific about the wording of this notice. Per our review of the notice for tax increase we noted that the notice was published with a title of "Notice of Public Hearing" instead of "Notice of Tax Increase". Due to this district not properly advertising, the district was not allowed under Sections 37-57-105 and 37-57-107, Miss. Code Ann. (1972), to request and collect any increase in ad valorem taxes other than new property assessments. Due to a significant increase in new property the District did not incur an ad valorem escrow based on this oversight.

Recommendation

We recommend that the district comply with Sections 27-39-207; 37-57-105 and 37-57-107, Miss. Code Ann. (1972), which requires the district publish a notice of tax increase with very specific wording if the district requests an increase in ad valorem tax from the local levying authorities.

School District's Response

The District will make sure the wording in the advertisement reads "Notice of Tax Increase."

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

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

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

Watkins, Ward and Stafford, PLLC  
Starkville, Mississippi  
January 21, 2010

*Watkins, Ward and Stafford, PLLC*

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OKTIBBEHA 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 weakness(es) identified  | Yes         |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |

**Federal Awards:**

- |  |             |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | Yes         |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses?   | Yes         |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?   | Yes         |
| 7. Federal programs identified as major programs:  |             |
| a. Child nutrition cluster<br>CFDA #10.553<br>CFDA #10.555   |             |
| b. Title 1 grants to local educational agencies<br>CFDA #84.010  |             |
| c. Reading first state grants<br>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?  | No          |
| 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? | Yes         |

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

**Section 2: Financial Statement Findings**

**Significant Deficiencies Considered to Be Material Weaknesses**

**The District Should Prepare GASB Financial Statement in a Timely Manner**

**2008-1 Finding**

A critical aspect of effective financial management is the maintenance of accurate and timely accounting records and reports. Management is responsible for ensuring that financial statements are prepared on a timely basis subsequent to the June 30 fiscal year end. Timely financial information enables more efficient audits. In order to audit the financial statements, the financial statements must be available to the auditor so that they can be verified for the audit assertions which include existence of occurrence, completeness, rights and obligations, valuation or allocation, and presentation and disclosure.

For the June 30, 2008 fiscal year end no financial statements were completed by management.

Proper internal controls were not in place to ensure that financial statements were compiled in a timely manner.

**Recommendation**

We recommend that the district ensure that the financial statements are prepared within a reasonable period of time following the June 30 fiscal year end.

**Controls Surrounding Reporting of Capital Assets Should Be Strengthened**

**2008-2 Finding**

A critical aspect of effective financial management is the maintenance of accurate accounting records following generally accepted accounting principles.

The school district did not properly record the disposition of capital assets during the fiscal year. The district approved for disposition several buses and other capital assets during the year that were not deleted from the capital asset inventory. This oversight caused Mobile Equipment and Furniture and Equipment to be overstated by \$100,521 and \$13,942, respectively and related Accumulated Depreciation on the classifications to be overstated by \$90,460 and \$12,737, respectively. An audit adjustment was proposed and approved by management to properly record Mobile Equipment, Furniture and Equipment and related Accumulated Depreciation.

Generally accepted accounting principles were not followed in recording the capital assets and accumulated depreciation.

**Recommendation**

We recommend that the district record the deletion of capital assets timely and properly. This will allow the actual value of capital assets to be reported.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

Bank Accounts Should Be Reconciled on a Monthly Basis

2008-3 Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records following generally accepted accounting principles.

During our testing of cash we noted that the district was not reconciling the accounts payable clearing account on a monthly basis. Per our review of the June 30, 2008 bank reconciliation we noted several checks listed as outstanding which had actually cleared the bank in previous months. We had to assist the client in reconciling this account which resulted in an audit adjustment increasing cash in the accounts payable clearing account by \$24,409. An audit adjustment was proposed and approved by management to properly record cash in the accounts payable clearing fund.

Recommendation

We recommend the district reconcile all bank accounts on a monthly basis to ensure that generally accepted accounting principles are followed.

Controls Over Reporting Year End Accruals Should Be Strengthened

2008-4 Finding

A critical aspect of effective financial management is the implementation of adequate procedures to ensure that all material accruals at fiscal year end are recorded and reported on the financial statements.

During our search for unrecorded liabilities we noted that a contractor payment of \$103,236 on the energy efficiency project should have accrued on the year end financial statements. An audit adjustment was proposed and approved by management to record this liability.

This condition was caused by the fact that this liability was paid in an account other than the accounts payable clearing account and was not approved with the normal processing of the claims docket.

Recommendation

We recommend the district review subsequent disbursements after June 30 of each fiscal year to ensure that all accruals are recorded on the financial statements.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

Significant Deficiencies Not Considered to Be Material Weaknesses

Controls Over Activity Fund Receipts Should Be Strengthened

2008-5 Finding

Management is responsible for ensuring that all revenue earned is correctly recorded and deposited in order to safeguard the assets of the district.

The school district has in place a procedure which utilizes a School Event Receipt Form that requires the ticket seller to record the range of pre-numbered tickets sold times the price per ticket to account for the cash received for ticket sales. While reviewing activity fund revenues for the school year we noted the following weaknesses:

- The principal at East Oktibbeha High School had not signed off on four of the school event receipt forms tested.
- The principal at West Oktibbeha High School had not signed off on one of the school event receipt forms tested.
- Deposits were not made in a timely manner at West Oktibbeha High School.
- West Oktibbeha High School was totaling receipts information by functional category and not breaking out receipt information by individual receipt on the monthly transmittal report submitted to the central office.

These weaknesses occurred due to inadequate internal controls surrounding the collection and deposit of receipts which could result in the loss of assets and improper revenue recognition.

Recommendation

We recommend that the district implement policies and procedures to ensure that assets are adequately safeguarded and revenue is properly recognized and recorded.

Controls Over General Disbursements Should be Strengthened

2008-6 Finding

Management is responsible for ensuring internal control procedures are in place to ensure that disbursements are properly authorized.

During our testing of general disbursements we noted the following deficiencies:

- We noted seven instances where a disbursement was not approved by the board prior to payment.
- We noted one instance where a purchase order was prepared after the goods or services were ordered.
- We noted that exceptions on Fuelman gas purchase cards are not being reconciled on a timely basis.

Recommendation

We recommend the district implement policies and procedures to ensure all disbursements are properly authorized prior to goods or services being ordered and applicable disbursement made.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

**Controls Over Approval of Substitute Employees Should Be Strengthened**

**2008-7 Finding**

Management is responsible for ensuring that all payroll expenditures made by the district are properly authorized and adequately documented.

During our testing of payroll disbursements we noted that the district hired and paid two substitute employees whose approval for hire could not be located in the board minutes. All personnel should be approved by the board and this approval should be documented in the board minutes on an annual basis.

**Recommendation**

We recommend that all school district personnel be approved by the board and this approval be documented in the minutes of the school board meetings.

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

**Significant Deficiency Considered to Be a Material Weakness**

**Internal Controls Surrounding Child Nutrition Reporting Should Be Strengthened**

**2008-8 Finding**

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education CFDA #s 10.553 and 10.555

Compliance requirement: Reporting

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Clusters Policy and Procedures Manual, which states that all meals must be served to eligible children and must be supported by accurate meal counts and records indicating the number of meals sold.

During our tests of the Child Nutrition Cluster, we noted the district's roster was not up to date and they were using the 2006-2007 roster for the 2007-2008 school year.

Improper internal controls resulted in the district not reporting student rosters accurately.

Requiring more than one staff member to review the rosters, reduces the risk of fraud and errors occurring and not being detected within a timely period. Improper internal controls concerning the Child Nutrition Cluster could result in questioned eligibility by the Department of Agriculture Food and Nutrition Service.

**Recommendation**

We recommend that the district implement stronger internal controls to ensure that all rosters are updated and accurately report the students currently at the district.

**OKTIBBEHA COUNT**

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

Significant Deficiencies Not Considered To Be Material Weaknesses

Monthly Claims for Reimbursement Should Be Submitted by the 10<sup>th</sup> of the Following Month

2008-9 Finding

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education CFDA #s 10.553 and 10.555

Compliance requirement: Reporting

The district is not required to submit any reports directly to the federal government. However, there are reports filed with the Mississippi Department of Education prior to reimbursement of program expenditures. These submissions are due to the Mississippi Department of Education by the 10<sup>th</sup> of the following month.

During our tests of the Child Nutrition Cluster Program, we noted that the district submitted five out of the ten claims late or after the 10<sup>th</sup> of the month.

Improper internal controls resulted in the monthly submissions being filed late.

Inadequate controls could result in the district forfeiting its reimbursement.

Recommendation

We recommend that the district ensure its monthly claims reports are submitted to the Mississippi Department of Education by the required deadline on all future submissions.

Daily Food Sales Should Be Deposited Timely

2008-10 Finding

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education CFDA #s 10.553 and 10.555

Compliance requirement: Program Income

Management is responsible for ensuring that all revenue is correctly earned, recorded and deposited in order to safeguard the assets of the district. Strong internal controls require deposits to be made on a timely basis.

During our tests of daily food sales, we noted one instance at where a deposit was not made on a timely basis at West Oktibbeha Elementary School. Also the daily cash collection/recap sheet could not be located for the instance where a deposit was not made on a timely basis.

This weakness occurred because of a lack of internal controls related to the receipt of daily food sales revenue.

Inadequate internal controls related to revenue collection could result in loss of assets and improper revenue recognition.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

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

Recommendation

We recommend that the district implement procedures to ensure that all deposits are made timely, receipt books are reconciled to the deposits, and revenue is properly recognized and recorded.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY OF PRIOR AUDIT FINDINGS**

OKTIBBEHA COUNTY SCHOOL DISTRICT  
105 DR. DOUGLAS L. CONNER DRIVE  
STARKVILLE, MS 39759  
(662) 323-1472 (OFFICE) (662) 323-9614 (FAX)  
Office of the Superintendent

James R. Covington, Jr.  
Superintendent of Education

**Oktibbeha County School District (5300)**

**Schedule of Finding and Questioned Costs**

2008-1 Finding

The District Should Prepare GASB Financial Statements in a Timely Manner

Proper internal controls have been instituted to insure financial statements are completed timely. Financial statements will be prepared in a reasonable period of time after the close of the fiscal year.

2008-2 Finding

Controls Surrounding Reporting of Capital Assets Should be Strengthened

Controls have been put in place to ensure proper recording and deletions of fixed assets. Staff has been reassigned to make sure adequate attention is paid to all aspects of Capital Assets.

2008-3 Finding

Bank Accounts Should be Reconciled on a Monthly Basis

Measures are in place to ensure that bank accounts are reconciled on a monthly basis. Staff has been reassigned to put in place the necessary controls to make sure all accounts are reconciled timely.

2008-4 Finding

Controls Over Reporting Year End Accruals should be Strengthened

The district will review subsequent disbursements after June 30 to ascertain that all accruals for the fiscal year are properly recorded.

2008-5

Controls Over Activity Funds Receipts Should Be Strengthened

Internal controls have been established to ensure that assets are adequately safeguarded. Deposits are made daily, school event forms are signed by principal, individual receipts are broken down on the transmittal rather than by function. Transmittals are checked against the actual deposit made by the Business Manager.

2008-6 Finding

Controls Over General Disbursement Should be Strengthened

The Superintendent is allowed to approve up to \$50,000.00 between board meetings and Disbursements are included in the next docket presented to the Board for approval. Measures are in place to ensure that all transactions are approved by the board.

It is not the common practice of the District to purchase without a purchase order. There have been emergency situations in Transportation and Physical Plant. We have instituted measures to ensure compliance.

Measures are now in place to ensure that fuel purchases are tracked on a timely basis. Fuelman gas cards are being reconciled monthly.

2008-7

Controls Over Approval of Substitute Employees Should Be Strengthened

Controls have been put in place to ensure all substitute personnel be approved by the Board. Substitutes are approved at the beginning of each school term. And also, as new staff is hired. They are approved and recorded in the minutes of the Board.

## **Internal Controls Surrounding Child Nutrition**

- 2008-8  
Response - Re: 2006—07 Rosters for the 2007-08 school year.  
A monthly roster match is verified between the school secretary and the food service bookkeeper. A master roster is then printed and sent to the cafeteria. The schools are now computerized; therefore, newly enrolled students, withdrawn students, or status changes are entered at the central office level. The information will be reflected on the schools' computer at the next log in. Meal counts are no longer done by hand; the tabulations are done by the computer which eliminates any inconsistencies in method of tabulation or any simple arithmetic errors.
- 2008-9  
Response: Re: Submission of monthly claims by the 10<sup>th</sup> of each month  
All reports from the school sites will be turned in to the central office each by the 5<sup>th</sup> of each month. And all other reports will be turned in prior to our submission deadline. Monthly claims for reimbursements will be completed by the 10<sup>th</sup> of the following month.
- 2008-10  
Response: Re: Timely Deposit  
To ensure daily deposits, we have designated two employees to make deposits. The daily collections and recap sheets are checked in the central office on a weekly basis to make sure deposits are being made daily.

January 21, 2010

Financial and Compliance Audit Division

As required by Section \_\_\_\_\_315(b) of OMB Circular A-133, the Oktibbeha County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

Finding	Status
07-01	Not Corrected
07-02	Corrected
07-03	Corrected

Sincerely,

James R. Covington, Jr.  
Superintendent