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POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2008

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

September 23, 2009

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2008, which collectively comprise the Poplarville Special Municipal Separate School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Poplarville Special Municipal Separate 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 Poplarville Special Municipal Separate 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 September 23, 2009 on our consideration of the Poplarville Special Municipal Separate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 42 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 Poplarville Special Municipal Separate 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 supplementary 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 Balance, All Governmental Funds, Last Four Years, is presented for the 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
September 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The discussion and analysis of Poplarville Special Municipal Separate 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 financial statements and the notes to the basic 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.

Poplarville Special Municipal Separate School District, organized in 1955, is located in Poplarville, Mississippi, the county seat of Poplarville Special Municipal. A five-member board of trustees appointed by the Poplarville Special Municipal Board of Supervisors and the Poplarville Board of Aldermen governs the school district. The trustees serve five year staggered terms. The board appoints the superintendent

Poplarville is located on Interstate 59, 75 miles north of New Orleans, Louisiana and 50 miles from the Mississippi Gulf Coast. Poplarville's climate offers a mild winter, pleasant spring and fall and summer sun that encourage outdoor summer activities. Pearl River Community College, the oldest 2-year college in Mississippi, is also located in Poplarville. The college serves over 4,000 students.

Poplarville Special Municipal Separate School District (PSMSSD) serves approximately 25% of the students in Poplarville Special Municipal, Mississippi. The present enrollment is 2,182 students. One of the largest geographic districts in the state, PSMSSD encompasses 498 square miles. The district serves over 10,000 citizens in the incorporated town of Poplarville and the unincorporated communities of Steep Hollow, Gum Pond, Buck Branch, Fords Creek, Byrdline, White Sand, Progress, Savannah, Harts Chapel, Oak Hill and Crossroads. In excess of 1400 students are transported on 28 buses to four schools in the district.

The four schools in the district are located in the town of Poplarville less than two miles apart. The four schools with enrollment are listed as follows: Poplarville Lower Elementary School grades k-2 serves 536 students, Poplarville Upper Elementary School grades 3-5 serves 510 students, Middle School of Poplarville grades 6-8 serves 520 students and Poplarville High School grades 9-12 serves 616 students. These schools are staffed by 176 certified staff and 134 non-certified staff members. Fifty-one percent (51%) of the teachers have advanced degrees. Ninety-seven percent (97%) of the core teachers are highly qualified. The student attendance rate is ninety-five percent (95%). The graduation rate is eighty-six percent (86%).

FINANCIAL HIGHLIGHTS

- Total net assets increased $1,139,078 which represents a 5% increase from fiscal year 2007.

- General revenues account for $15,832,293 in revenue, or 81% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,710,965 or 19% of total revenues.

- The District had $18,404,180 in expenses; only $3,710,965 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $15,832,293 were adequate to provide for these programs.

- Among major funds, the General Fund had $14,503,530 in revenues and $13,717,798 in expenditures. The General Fund's fund balance increased $449,736 from the prior year.

- Capital assets, net of accumulated depreciation, increased by $380,145.

- Long-term debt decreased by $376,422.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund 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.

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 is required by the Mississippi Office of State Auditor which is also included.

Additionally, a statement of revenues, expenditures, and changes in fund balance – last four years is included for the general fund and all governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $21,376,188 as of June 30, 2008.

By far the largest portion of the District's net assets (44.2%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets as of June 30, 2008 and 2007, respectively.

	Net Assets		Percentage
	June 30, 2008	June 30, 2007	Change
Current assets	$ 12,317,660	$ 12,655,992	-2.7%
Capital assets, net	10,961,271	10,581,126	3.7%
Total assets	23,278,931	23,237,118	0.2%
Current liabilities	289,613	1,010,456	-71.3%
Long-term debt outstanding	1,613,130	1,989,552	-18.9%
Total liabilities	1,902,743	3,000,008	-36.6%
Invested in capital assets, net of related debt	9,444,271	8,691,126	8.7%
Restricted	9,664,900	4,373,931	121.0%
Unrestricted	2,267,017	7,172,053	-68.4%
Total net assets	$ 21,376,188	$ 20,237,110	5.6%

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

- The Safe Harbor After School and Summer School Program ended during the fiscal year therefore reducing due from other governments in the amount of $804,586 and current liabilities in the amount of $394,379.
- The Building Projects Fund did not have a current liability at June 30, 2008 which existed in the prior fiscal year end in the amount of $153,992 for the high school library renovation.
- The principal retirement of $373,000 of long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the purchase of capital assets including the high school library renovation in the amount of $517,928 and the high school stadium in the amount of $199,644 for the current fiscal year.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were $19,543,258. The total cost of all programs and services was $18,404,180.

The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and 2007, respectively.

	June 30, 2008	June 30, 2007	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 507,609	$ 1,037,871	-51.1%
Operating grants and contributions	3,203,356	4,034,466	-20.6%
Capital grants and contributions	-	-	
General revenues:			
Property taxes	4,134,444	4,176,681	-1.0%
Grants and contributions not restricted	10,591,810	9,745,175	8.7%
Investment earnings	467,555	521,999	-10.4%
Sixteenth section sources	93,750	149,734	-37.4%
Other	544,734	1,437,320	-62.1%
Total revenues	19,543,258	21,103,246	-7.4%

	June 30, 2008	June 30, 2007	Percentage Change
Expenses:			
Instruction	11,186,210	11,068,977	1.1%
Support services	5,993,053	6,736,992	-11.0%
Non-instructional	1,144,142	1,076,543	6.3%
Sixteenth section	4,649	105,854	-95.6%
Interest and other expenses on long-term liabilities	76,126	97,745	-22.1%
Total Expenses	18,404,180	19,086,111	-3.6%
Increase in net assets	1,139,078	2,017,135	-43.5%
Net Assets, July 1	20,237,110	18,219,975	11.1%
Net Assets, June 30	$ 21,376,188	$ 20,237,110	5.6%

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

- Increase in unrestricted state grants and contributions of $1,304,847 as a result from an increase in funding by the state for the school district's increase in average daily attendance and to absorb a portion of the mandated pay raise and increase in fringe benefits.

- Decrease in federal unrestricted grants and contributions in the amount of $458,212 and other general revenue local contributions in the amount of $891,289 as a result of completing the Safe Harbor After School and Summer School Program for children affected by Hurricane Katrina.

- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits. However, a decrease in overall expenses as a result of completing the Safe Harbor After School and Summer School Program.

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2008 and 2007 respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	Total Expenses		Percentage
	2008	2007	Change
Instruction	$ 11,186,210	$ 11,068,977	1.1%
Support Services	5,993,053	6,736,992	-11.0%
Non-instructional	1,144,142	1,076,543	6.3%
Sixteenth section	4,649	105,854	-95.6%
Interest on long term liabilities	76,126	97,745	-22.1%
Total Expenses	$ 18,404,180	$ 19,086,111	-3.6%

	Total Net (Expense) Revenue		Percentage
	2008	2007	Change
Instruction	$ (9,369,575)	$ (8,239,196)	13.7%
Support Services	(5,118,236)	(5,493,791)	-6.8%
Non-instructional	(142,236)	(83,012)	71.3%
Sixteenth section	12,958	(100,030)	-113.0%
Interest on long term liabilities	(76,126)	(97,745)	-22.1%
Total Expenses	$ (14,693,215)	$ (14,013,774)	4.8%

- Net cost of governmental activities increased by 4.8 percent to $14,693,215, which was financed by general revenue. General revenue is made up of primarily property taxes $4,134,444 and unrestricted state grants and contributions $10,488,061.

- Investment earnings accounted for $467,555 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $12,047,444, an increase of $371,849, which includes the increase in reserve for inventory of $3,565. The amount of $5,051,679 or 42% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $6,995,765 or 58% is reserved or designated to indicate that it is not

available for spending because it has already been committed. Areas of commitment are sixteenth section advances, capital projects, inventory, and insurance deductible.

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 $449,736, a result of MAEP being fully funded but not budgeted to expend due to unexpected cuts. The fund balance of School Food Service Fund showed an increase of $26,726 resulting from an operating transfer from the General Fund. The Sixteenth Section Interest Funds showed an increase of $185,202 resulting from leases, timber sales and interest income. The Building Projects Fund showed a decrease of $299,479 as a result of expenditures on the high school library renovations and the high school stadium.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue funds is provided in the report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were $16,274,148, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of $952,197 from the previous year as a result of capital outlays of buildings, mobile equipment, furniture and equipment, improvements other than buildings and construction in progress. Total accumulated depreciation as of June 30, 2008 was $5,312,877 and total depreciation expense for the year was $614,174, resulting in total net assets of $10,961,271.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	$ 298,945	$ 298,945	0.0%
Construction in Progress	606,584	878,088	-30.9%
Buildings	7,279,244	7,377,394	-1.3%
Building improvements	1,579,387	657,458	140.2%
Improvements other than buildings	199,093	149,588	33.1%
Mobile equipment	653,435	704,054	-7.2%
Furniture and equipment	344,583	515,599	-33.2%
Total	$ 10,961,271	$ 10,581,126	3.6%

Debt Administration. At June 30, 2008, the District had $1,613,130 in limited obligation bonds, three mill fifteen year note and other long-term debt outstanding, of which $381,000 is due within one year.

	Outstanding Long-term debt		Percentage
	2008	2007	Change
Limited obligation bonds payable	$ 255,000	$ 500,000	-49.0%
Three mill notes payable	1,262,000	1,390,000	-9.2%
Compensated absences payable	96,130	99,552	-3.4%
Total	$ 1,613,130	$ 1,989,552	-18.9%

CURRENT ISSUES

The Poplarville Special Municipal Separate 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 operational and total millage has remained the same over the previous five year. Three mills are for repayment of a fifteen year note for school construction and renovation. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has increased and will continue to follow in that direction. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Poplarville Special Municipal Separate School District, 302 South Julia Street, Poplarville, MS 39470.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT A**
STATEMENT OF NET ASSETS
JUNE 30, 2008

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	7,178,132
Investments		3,686,400
Due from other governments		571,269
Accrued interest receivable		18,465
Other receivables, net		218,250
Inventories and prepaid items		38,033
Restricted assets		607,111
Capital assets not being depreciated		
Land		298,945
Construction in progress		606,584
Capital assets, net of accumulated depreciation		
Buildings		7,279,244
Building improvements		1,579,387
Improvements other than buildings		199,093
Mobile equipment		653,435
Furniture and equipment		344,583
Total Assets		23,278,931
LIABILITIES		
Accounts payable and accrued liabilities		263,827
Unearned revenue		6,389
Interest payable on long-term debt		19,397
Long-term liabilities (due within one year)		
Capital-related liabilities		381,000
Long-term liabilities (due beyond one year)		
Capital-related liabilities		1,136,000
Non-capital related liabilities		96,130
Total Liabilities		1,902,743
NET ASSETS		
Invested in capital assets, net of related debt		9,444,271
Restricted net assets		
Expendable:		
School-based activities		2,726,565
Debt service		390,209
Capital improvements		5,599,305
Forestry improvements		6,931
Unemployment benefits		69,176
Insurance deductible		500,000
Non-expendable:		
Sixteenth section		372,714
Unrestricted		2,267,017
Total Net Assets	$	21,376,188

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT B**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:				
Instruction	$ 11,186,210	$ 260,533	$ 1,556,102	$ (9,369,575)
Support services	5,993,053	-	874,817	(5,118,236)
Non-instructional services	1,144,142	229,469	772,437	(142,236)
Sixteenth section	4,649	17,607	-	12,958
Interest and other charges related to long-term liabilities	76,126	-	-	(76,126)
Total Governmental Activities	$ 18,404,180	$ 507,609	$ 3,203,356	$ (14,693,215)

General Revenues:	
Taxes:	
General purpose levies	3,928,606
Debt purpose levies	205,838
Unrestricted grants and contributions:	
State	10,488,061
Federal	103,749
Unrestricted investment earnings	467,555
Sixteenth section sources	93,750
Gain on disposal of capital assets	(1,297)
Other	546,031
Total General Revenues	15,832,293
Change in Net Assets	1,139,078
Net Assets - Beginning	20,237,110
Net Assets - Ending	$ 21,376,188

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT C**
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	Major Funds					
	General Fund	School Food Service Fund	Sixteenth Section Interest Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 2,378,290	$ 147,206	$ 707,561	$ 3,008,827	$ 1,543,359	$ 7,785,243
Investments	-	-	1,090,522	2,595,878	-	3,686,400
Due from other governments	240,716	-	-	-	330,553	571,269
Accrued interest receivable	6,606	-	11,859	-	-	18,465
Due from other funds	553,626	8,833	32,859	-	327	595,645
Advances to other funds	-	-	-	-	125,331	125,331
Inventories and prepaid items	-	38,033	-	-	-	38,033
Total Assets	$ 3,179,238	$ 194,072	$ 1,842,801	$ 5,604,705	$ 1,999,570	$ 12,820,386
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 190,381	$ 5,694	$ 4,659	$ 5,400	$ 57,693	$ 263,827
Due to other funds	379	102,188	327	-	274,501	377,395
Advances from other funds	125,331	-	-	-	-	125,331
Deferred revenue	-	6,389	-	-	-	6,389
Total Liabilities	316,091	114,271	4,986	5,400	332,194	772,942
Fund balances:						
Reserved for:						
Inventory	-	38,033	-	-	-	38,033
Capital project funds	-	-	-	15,760	-	15,760
Debt service funds	-	-	-	-	409,606	409,606
Unemployment benefits	-	-	-	-	69,176	69,176
Forestry improvement purposes	-	-	-	-	6,931	6,931
Permanent funds					372,714	372,714
Unreserved, designated						
Insurance deductible	500,000	-	-	-	-	500,000
Capital project funds				5,583,545		5,583,545
Unreserved, undesignated, reported in:						
General fund	2,363,147	-	-	-	-	2,363,147
Special revenue funds	-	41,768	1,837,815	-	808,949	2,688,532
Total Fund Balances	2,863,147	79,801	1,837,815	5,599,305	1,667,376	12,047,444
Total Liabilities & Fund Balances	$ 3,179,238	$ 194,072	$ 1,842,801	$ 5,604,705	$ 1,999,570	$ 12,820,386

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

POPLARVILLE SEPARATE MUNICIPAL SPECIAL SCHOOL DISTRICT **EXHIBIT C-1**

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

	Amount
Total Fund Balance - Governmental Funds (Exhibit C)	$ 12,047,444
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $5,312,877	10,961,271
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,613,130)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(19,397)
Total Net Assets - Governmental Activities (Exhibit A)	$ 21,376,188

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT D**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Major Funds					
	General Fund	School Food Service Fund	Sixteenth Section Interest Funds	Building Projects Funds	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local sources	$4,342,314	$ 232,595	$ -	$ 229,648	$ 749,982	$ 5,554,539
Intermediate sources	4,700	-	-	-	-	4,700
State sources	10,052,687	5,280	-	-	988,576	11,046,543
Federal sources	103,829	759,594	-	-	1,885,280	2,748,703
Sixteenth section sources	-	-	174,312	-	15,758	190,070
Total Revenues	14,503,530	997,489	174,312	229,648	3,639,596	19,544,555
EXPENDITURES						
Instruction	8,540,790	-	-	-	2,107,702	10,648,492
Support services	4,994,608	111,461	-	15,775	1,159,777	6,281,621
Non-instructional services	50,805	999,200	-	-	92,184	1,142,189
Sixteenth section	-	-	4,298	-	351	4,649
Facilities acquisition and construction	126,180	-	-	513,352	-	639,532
Debt Service:						
Principal	-	-	-	-	373,000	373,000
Interest	5,415	-	-	-	81,373	86,788
Total Expenditures	13,717,798	1,110,661	4,298	529,127	3,814,387	19,176,271
Excess (Deficiency) of Revenues over (under) Expenditures	785,732	(113,192)	170,014	(299,479)	(174,791)	368,284
OTHER FINANCING SOURCES (USES)						
Operating transfers in	101,131	139,918	15,188	-	327,500	583,737
Operating transfers out	(437,127)	-	-	-	(146,610)	(583,737)
Total Other Financing Sources (Uses)	(335,996)	139,918	15,188	-	180,890	-
Net change in fund balances	449,736	26,726	185,202	(299,479)	6,099	368,264
Fund Balances---July 1, 2007	2,413,411	49,510	1,652,613	5,898,784	1,661,277	11,675,595
Increase in reserve for inventory	-	3,565	-	-	-	3,565
Fund Balances---June 30, 2008	$2,863,147	$ 79,801	$ 1,837,815	$5,599,305	$ 1,667,376	$ 12,047,444

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT D-1**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

	Amount
Net Change in Fund Balances - Governmental Funds (Exhibit D)	$ 368,284
Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to $995,616 and the depreciation expense amounted to $614,174.	381,442
Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduced long-term liabilities in the Statement of Activities.	373,000
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interst as it accrues regardless of when it becomes due.	10,662
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.	(1,297)
Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	3,565
Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governemental funds:	
Compensated absences	3,422
Change in Net Assets of Governmental Activities (Exhibit B)	$ 1,139,078

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT E**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2008

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,011,728
Total Assets	$ 1,011,728
LIABILITIES	
Accounts payable and accrued liabilities	$ 703,171
Due to student clubs	90,307
Due to other funds	218,250
Total Liabilities	$ 1,011,728

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Poplarville, Mississippi since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

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

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

2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function

and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental 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.

School Food Service Fund – This is a special revenue fund used to account for the school district's revenues earned and expenditures incurred through the Child Nutrition Cluster federal grant monies, state monies and daily sales.

Sixteenth Section Interest Fund – This is a special revenue fund used to account for the school district's earnings and expenditures from sixteenth section property and investments. These funds may be used for purposes that support the school district.

Building Projects Fund – This is a capital project fund used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

The District's fiduciary funds include the following:

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

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

Student Club Fund – This agency fund is used to report resources held by the District on behalf of students.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F. Assets, Liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash, and cash equivalents

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

Investments.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statue 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 costs. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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

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

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

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

In the government-wide 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 was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which 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 the 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 the portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, designated for, reported in the General Fund – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future insurance loss deductibles.

Unreservcd, designated for, reported in Capital Projects Funds – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

Investments. Section 29-3-113 and Section 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 Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $11,471,643 (which includes $3,686,400 of certificates of deposit with original maturity beyond three months and reported on Exhibit C as investments) and $1,011,728, respectively. The bank balance not including the certificates of deposit was $9,222,880.

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 $9,222,880 was exposed to custodial credit risk.

Investments.

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

Investment Type	Maturities (in years)	Fair Value	Rating
Certificate of Deposit	1 year	2,049,762	Not rated
Certificate of Deposit	1 year	546,116	Not rated
Certificate of Deposit	1 year	1,090,522	Not rated
		$ 3,686,400	

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

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

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

policy that addresses custodial credit risk. As of June 30, 2008, the district did not have any investments to which this would apply.

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

Issuer	Fair Value	% of Total Investments
Hancock Bank	2,049,762	55%
Bank Plus	546,116	15%
Bank Plus	1,090,522	30%
	$ 3,686,400	

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	School Food Service Fund	$ 102,188
	Fiduciary Funds	218,250
	Other Governmental Funds	233,188
School Food Service Fund	Other Governmental Funds	8,833
16th Section Interest Fund	General Fund	379
	Other Governmental Funds	32,480
Other Governmental Funds	16th Section Interest Fund	327
		$ 595,645

The primary purpose of the inter-fund loans was to cover federal funds not received prior to year end.

B. Advances To/From Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	$ 125,331
		$ 125,331

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

Sixteenth section principal loans payable.

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

Year Ending June 30	Principal	Interest	Total
2009	$ 10,439	$ 5,013	$ 15,452
2010	$ 10,856	$ 4,596	$ 15,452
2011	$ 11,291	$ 4,161	$ 15,452
2012	$ 11,742	$ 3,710	$ 15,452
2013	$ 12,212	$ 3,240	$ 15,452
2014-2018	$ 68,791	$ 8,470	$ 77,261
Total	$ 125,331	$ 29,190	$ 154,521

C. Interfund Transfers.

Transfer Out	Transfer In	Amount
General Fund	School Food Service Fund	$ 109,627
	Other Governmental Funds	327,500
Other Governmental Funds	General Fund	101,131
	School Food Service Fund	30,291
	16th Section Interest Fund	15,188
		$ 583,737

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling $279,864, 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. In addition, the restricted assets represent the cash balance in the MAEP Retirement Fund totaling $327,248.

(5) Capital Assets.

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

	Balance 7/1/2007	Additions	Retirements	Completed Construction	Balance 6/30/2008
Non-depreciable capital assets:					
Land	$ 298,945	$ -	$ -		$ 298,945
Construction in progress	878,088	606,584	-	878,088	606,584
Total non-depreciable capital assets	$ 1,177,033	$ 606,584	$ -	$ 878,088	$ 905,529
Depreciable capital assets:					
Buildings	$ 10,193,671	$ 83,468	$ -	$ -	$ 10,277,139
Building improvements	689,586	989,076	-	-	1,678,662
Improvements other than buildings	177,519	58,964	-	-	236,483
Mobile equipment	1,726,456	68,771	-	-	1,795,227
Furniture and equipment	1,357,686	66,841	43,419	-	1,381,108
Total depreciable capital assets	$ 14,144,918	$ 1,267,120	$ 43,419	$ -	$ 15,368,619
Less accumulated depreciation:					
Buildings	$ 2,816,277	$ 181,618	$ -	$ -	$ 2,997,895
Building improvements	32,128	67,147	-	-	99,275
Improvements other than buildings	27,931	9,459	-	-	37,390
Mobile equipment	1,022,402	119,390	-	-	1,141,792
Furniture and equipment	842,087	236,560	42,122	-	1,036,525
Total accumulated depreciation	$ 4,740,825	$ 614,174	$ 42,122	$ -	$ 5,312,877
Total depreciable capital assets, net	$ 9,404,093	$ 652,946	$ 1,297	$ -	$ 10,055,742
Governmental activities capital assets, net	$ 10,581,126	$ 1,259,530	$ 1,297	$ 878,088	$ 10,961,271

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 213,251
Support services	395,405
Non-instructional	5,518
Total depreciation expense	$ 614,174

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

	Amount Expended through June 30, 2008	Remaining Commitment
High School Stadium	$ 606,584	$ 15,760

Construction projects included in governmental activities are funded with local property tax levies.

(6) Long-term liabilities.

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

	Balance 7/1/2007	Additions	Retirements	Adjustments	Balance 6/30/2008	Amount Due Within a year
A. Limited obligation bonds payable	$ 500,000	$ -	$ 245,000	$ -	$ 255,000	$ 255,000
B. Three mill notes payable	1,390,000		128,000		1,262,000	126,000
C. Compensated absences payable	99,552	-	3,422	-	96,130	-
Total long-term debt	$ 1,989,552	$ -	$ 376,422	$ -	$ 1,613,130	$ 381,000

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series, 1998	4.0-4.45%	5/22/1998	8/1/2008	$ 2,090,000	$ 255,000

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

Year Ending June 30	Principal	Interest	Total
2009	$ 255,000	$ 5,674	$ 260,674
Total	$ 255,000	$ 5,674	$ 260,674

This debt will be retired from the 4041 MAEP Retirement Fund.

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

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited - Tax School Note	4.65%	4/4/2002	4/1/2017	$ 2,000,000	$ 1,262,000

Details of the district's June 30, three mill notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 126,000	$ 58,683	$ 184,683
2010	$ 130,000	$ 52,824	$ 182,824
2011	$ 130,000	$ 46,779	$ 176,779
2012	$ 136,000	$ 40,734	$ 176,734
2013	$ 140,000	$ 34,410	$ 174,410
2014-2017	$ 600,000	$ 70,308	$ 670,308
Total	$1,262,000	$ 303,738	$1,565,738

This debt will be retired from Fund 4021 Three Mill Note Retirement Fund.

C. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The 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 $1,233,111, $1,124,081 and $995,389, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30		Amount
2009	$	68,573
2010		55,535
2011		54,065
2012		27,702
2013		23,195
2014-2018		100,425
2019-2023		21,845
Total	$	351,340

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDEND JUNE 30, 2008

SCHEDULE 1A

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Local sources	$ 4,489,160	$ 4,617,410	$ 4,342,314	$ 128,250	$ (275,096)
Intermediate sources	-	4,700	4,700	4,700	-
State sources	10,082,280	9,950,711	10,052,687	(131,569)	101,976
Federal sources	90,000	90,000	103,829	-	13,829
Total Revenues	14,661,440	14,662,821	14,503,530	1,381	(159,291)
EXPENDITURES					
Instruction	8,874,938	8,920,548	8,540,790	(45,610)	379,758
Support services	5,192,585	5,228,037	4,994,608	(35,452)	233,429
Non-instructional services	42,000	131,200	50,805	(89,200)	80,395
Facilities acquistion & construction	95,000	127,000	126,180	(32,000)	820
Debt Service:					
Interest	5,415	5,415	5,415	-	(0)
Total Expenditures	14,209,938	14,412,200	13,717,798	(202,262)	694,402
Excess (deficiency) of Revenues over (under) Expenditures	451,502	250,621	785,732	(200,881)	535,111
OTHER FINANCING SOURCES (USES)					
Indirect costs	-	22,000	-	22,000	(22,000)
Operating transfers in	407,834	344,619	101,131	(63,215)	(243,488)
Operating transfers out	(852,684)	(853,934)	(437,127)	(1,250)	416,807
Total Other Financing Sources (Uses)	(444,850)	(487,315)	(335,996)	(42,465)	151,319
Net chenge in fund balances	6,652	(236,694)	449,736	(243,346)	686,430
Fund Balances--July 1, 2007	2,413,411	2,413,411	2,413,411	(0)	(0)
Fund Balances--June 30, 2008	$ 2,420,063	$ 2,178,717	$ 2,663,147	$ (243,346)	$ 686,430

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SCHOOL FOOD SERVICE FUND
FOR THE YEAR ENDEND JUNE 30, 2008

SCHEDULE 1B

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Local sources	$ 216,100	$ 216,100	$ 232,595	$ -	$ 16,495
State sources	5,000	5,000	5,280	-	280
Federal sources	739,900	754,900	759,594	15,000	4,694
Total Revenues	961,000	976,000	997,469	15,000	21,469
EXPENDITURES					
Support services	103,032	115,025	111,461	(11,993)	3,564
Non-instructional services	1,081,797	1,084,572	999,200	(2,774)	85,372
Total Expenditures	1,184,829	1,199,597	1,110,661	(14,767)	88,936
Excess (deficiency) of Revenues over (under) Expenditures	(223,829)	(223,597)	(113,192)	233	110,405
OTHER FINANCING SOURCES (USES)					
Operating transfers in	223,829	223,829	139,918	-	(83,911)
Total Other Financing Sources (Uses)	223,829	223,829	139,918	-	(83,911)
Net change in fund balances	-	233	26,726	233	26,493
Fund Balances---July 1, 2007	49,510	49,510	49,510	(0)	(0)
Increase in reserve for inventory	-	-	3,565	-	-
Fund Balances---June 30, 2008	$ 49,510	$ 49,742	$ 79,801	$ 232	$ 26,493

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SIXTEENTH SECTION INTEREST FUNDS
FOR THE YEAR ENDEND JUNE 30, 2008

SCHEDULE 1C

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Sixteenth section sources	192,650	151,650	174,312	41,000	22,662
Total Revenues	192,650	151,650	174,312	41,000	22,662
EXPENDITURES					
Sixteen section	60,406	14,171	4,298	46,235	9,873
Total Expenditures	60,406	14,171	4,298	46,235	9,873
Excess (deficiency) of Revenues over (under) Expanditures	132,244	137,479	170,014	5,235	32,535
OTHER FINANCING SOURCES (USES)					
Operating transfers in	20,244	23,579	15,188	3,335	(8,391)
Operating transfers out	(3,244)	(6,579)	-	(3,335)	6,579
Total Other Finencing Sources (Uses)	17,000	17,000	15,188	-	(1,812)
Net change in fund balences	149,244	154,479	185,202	5,235	30,723
Fund Balances--July 1, 2007	1,594,744	1,652,613	1,652,613	57,869	-
Fund Balances--June 30, 2008	$ 1,743,988	$ 1,607,092	$ 1,837,815	$ 63,104	$ 30,723

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget amendments and revision

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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash assistance		
Child nutrition cluster		
School breakfast program	10.553	172,704
National school lunch program	10.555	586,889
Summer food service program for children	10.559	24,748
Total child nutrition cluster		784,341
Fresh fruit and vegetable program	10.582	47,669
Total U.S. Department of Agriculture		832,010
Federal Communications Commission		
Administered through Universal Service Administrative Company:		
Schools and libraries program of the universal service fund	32.XXX	33,405
U. S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	465,821
Vocational education - basic grants to states	84.048	26,769
Safe and drug-free schools and communities - state grants	84.186	11,539
Carolyn M White physical education program	84.215	105,034
Twenty-first century community learning centers	84.287	123,426
Foreign language assistance	84.293	22,744
Innovative education programs strategies	84.298	3,405
Education technology state grants	84.318	5,534
Teacher Quality Partnership grants	84.336	80
Rural education achievement program	84.358	60,251
Improving teacher quality - state grants	84.367	143,113
Total		967,716
Special education cluster:		
Special education - grants to states	84.027	429,596
Special education - preschool grants	84.173	16,739
Total		446,335
Total passed-through Mississippi Department of Education		1,414,051
Total U.S. Department of Education		1,414,051
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Health and Human Services:		
Abstinence education	93.235	80,736
Social services block grant	93.667	354,489
Medical assistance program	93.778	89,871
Total passed-through Mississippi Department of Health and Human Services		525,096
Department of Homeland Security		
Passed-through Mississippi Emergency Management Agency:		
Disaster grants - public assistance (Presidentially Declared Disaster)	97.036	7,986
Total for All Federal Awards		$ 2,812,548

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies 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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDEND JUNE 30, 2008

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 14,160,263	$ 10,954,422	$ 587,526	$ 1,015,390	$ 1,602,925
Other	5,016,008	1,861,375	125,903	26,339	3,002,391
Total	$ 19,176,271	$ 12,815,797	$ 713,429	$ 1,041,729	$ 4,605,316
Total number of students *	2,074				
Cost per student	$ 9,246	$ 6,179	$ 344	$ 502	$ 2,220

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

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

Administrative - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

Other - includes all expenditure functions not included in Instruction or Administrative. Does not include "Other Financing (Uses)".

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

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

OTHER SUPPLEMENTAL INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

General Fund

Last Four Years

		2008	2007*	2006*	2005*
Revenues:					
Local sources	$	4,342,314	4,395,088	4,257,259	3,984,659
Intermediate sources		4,700	-	-	-
State sources		10,052,687	8,732,351	8,319,072	7,652,293
Federal sources		103,829	561,961	77,503	57,224
Total Revenues		14,503,530	13,689,400	12,653,834	11,694,176
Expenditures:					
Instruction		8,540,790	7,603,880	4,958,231	6,741,872
Support services		4,994,608	5,161,736	3,284,466	3,860,510
Noninstructional services		50,805	47,123	51,866	47,621
Facilities acquisition and construction		126,180	-	-	-
Debt service:					
Principal		-	-	-	-
Interest		5,415	5,801	6,172	6,529
Total Expenditures		13,717,798	12,818,540	8,300,735	10,656,532
Excess (Deficiency) of Revenues over Expenditures		785,732	770,860	4,353,099	1,037,644
Other Financing Sources (Uses):					
Insurance loss recoveries		-	-	4,962	1,874
Sale of transportation equipment		-	5,085	-	-
Sale of other property		-	147	45,300	-
Operating transfers in		101,131	154,779	792,228	133,000
Operating transfers out		(437,127)	(2,063,219)	(3,701,762)	(518,332)
Total Other Financing Sources (Uses)		(335,996)	(1,903,208)	(2,859,272)	(383,458)
Net Change in Fund Balances		449,736	(1,132,348)	1,493,827	654,186
Fund Balances:					
July 1,		2,413,411	3,545,759	2,051,932	1,397,746
June 30,	$	2,863,147	2,413,411	3,545,759	2,051,932

*SOURCE - PRIOR YEAR AUDIT REPORTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

All Governmental Funds

Last Four Years

		2008	2007*	2006*	2005*
Revenues:					
Local sources	$	5,554,539	6,538,711	5,207,743	4,561,343
Intermediate sources		4,700	-	-	-
State sources		11,046,543	9,683,527	9,269,298	8,590,499
Federal sources		2,748,703	4,096,115	6,234,369	2,227,121
Sixteenth section sources		190,070	246,963	297,585	323,845
Total Revenues		19,544,555	20,565,316	21,008,995	15,702,808
Expenditures:					
Instruction		10,648,492	10,868,599	9,214,607	8,274,666
Support services		6,281,621	7,160,862	6,050,544	4,786,519
Noninstructional services		1,142,189	1,071,251	949,322	862,777
Sixteenth section		4,649	105,854	20,266	30,136
Facilities acquisition and construction		639,532	1,484,149	466,329	210,301
Debt service:					
Principal		373,000	363,000	350,000	344,000
Interest		86,788	103,657	119,998	135,636
Other		-	150	-	-
Total Expenditures		19,176,271	21,157,522	17,171,066	14,644,035
Excess (Deficiency) of Revenues over Expenditures		368,284	(592,206)	3,837,929	1,058,773
Other Financing Sources (Uses):					
Insurance loss recoveries		-	532,373	504,962	1,874
Sale of transportation equipment		-	5,085	-	-
Sale of other property		-	147	45,300	-
Operating transfers in		583,737	2,577,049	3,906,242	674,192
Operating transfers out		(583,737)	(2,577,049)	(3,906,242)	(674,192)
Total Other Financing Sources (Uses)		-	537,605	550,262	1,874
Net Change in Fund Balances		368,284	(54,601)	4,388,191	1,060,647
Fund Balances:					
July 1,		11,675,595	11,729,064	7,339,429	6,274,412
Increase (Decrease) in reserve for inventory		3,565	1,132	1,444	4,370
June 30,	$	12,047,444	11,675,595	11,729,064	7,339,429

*SOURCE - PRIOR YEAR AUDIT REPORTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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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
Poplarville Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2008, which collectively comprise the Poplarville Special Municipal Separate School District's basic financial statements and have issued our report thereon dated September 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 Finding 2008-1 and 2008-2 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 school district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated September 23, 2009, which is included in this report.

Poplarville Special Municipal Separate School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Poplarville Special Municipal Separate 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
September 23, 2009

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

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Mississippi Society of
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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
Poplarville Special Municipal Separate School District

Compliance

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

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

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
September 23, 2009

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

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Certified Public Accountants

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Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2008, which collectively comprise Poplarville Special Municipal Separate School District's basic financial statements and have issued our report thereon dated September 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported **$3,406** 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 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:

Finding SL-1 Fixed Asset Accounting

The School Accounting Manual issued by the Mississippi Department of Education requires fixed assets be tagged, maintained on a list and physically inventoried annually.

In performing audit procedures for fixed assets we found the district is not properly tagging, maintaining inventory lists by location as required.

Recommendation:

We recommend the district comply with the School Accounting Manual issued by the Mississippi Department of Education regarding fixed asset accountability.

School District Response:

The Poplarville School District was in the process of upgrading technology equipment during the audit and some of the equipment received was not functioning properly and had to be returned to the vendor. The vendor in some cases replaced the equipment with a different model and in other cases warranted the equipment and shipped back to the district as soon as the problem had been corrected. During this process the equipment was being moved around campus to accommodate the classrooms in need at the time. All items are accurately accounted for on the inventory list by location and tagged as required by the Mississippi Department of Education School Accounting Manual.

Finding SL-2 Activity Fund Accounting

The School Accounting Manual issued by the Mississippi Department of Education requires student activity funds be accounted for as "general funds".

In performing audit procedures for activity funds we noted several funds which were improperly classified as an activity/club account and reported as agency funds.

Recommendation:

We recommend the district comply with the School Accounting Manual issued by the Mississippi Department of Education regarding student activity funds.

School District Response:

All activity/club accounts have been reviewed to determine validity of agency funds and accurate accountability. The activity/club accounts displaying significant characteristics of a general fund have been reclassified as such per the Mississippi Department of Education School Accounting Manual.

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 Poplarville Special Municipal Separate 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
September 23, 2009

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the general purpose financial statements: UNQUALIFIED

2. Material noncompliance relating to the general purpose financial statements? NO

3. Internal control over financial reporting:
   a. Material weakness (es) identified? NO
   b. Significant Deficiency(ies) identified that are not considered to be material weakness? 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? NO
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? NO

6. Any audit finding(s) reported as required by section__.510(a) of OMB Circular A-133? NO

7. Federal programs identified as major programs:

Social Services Block Grants	CFDA # 93.667
Carolyn M White physical education program	CFDA # 84.215
Child Nutrition Cluster	
School Breakfast Program	CFDA # 10.553
National School Lunch Program	CFDA # 10.555
Summer Food Service Program for Children	CFDA# 10.559

8. The dollar threshold used to distinguish between Type A and Type B programs: $300,000

9. Auditee qualified as a low-risk auditee? YES

10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section__.315(b) of OMB Circular A-133? NO

Section 2: Financial Statement Findings

Significant Deficiencies Not considered Material Weaknesses

Finding 2008-1 Bank Reconciliations

Condition: The District is not properly reconciling its activity fund bank accounts to the district general ledger.
Criteria: The School Accounting Manual issued by the Mississippi Department of Education and effective internal control procedures require bank accounts be reconciled to the general ledger in a timely manner.
Cause: The district did properly follow-up on the discrepancies identified in reconciling the bank accounts to the general ledger.
Effect: Failure to properly and timely reconcile bank accounts to the general ledger could result in erroneous financial reporting.
Recommendation: We recommend the district take necessary actions to review and follow-up on bank reconciliation procedures.

Finding 2008-2 Advalorem Tax Collections

Condition: The District collected and recorded an advalorem tax payment received from its levying authority for millage levied for a shortfall loan in the district maintenance fund rather than the debt service fund as required.
Criteria: Advalorem taxes should be credited to the fund and used for the purpose for which the millage was levied.
Cause: The district did properly reconcile its advalorem taxes by the purpose for which they were levied.
Effect: Failure to properly and timely reconcile advalorem tax collections to the specified levy could cause the district to spend the money for an unintended purpose and result in erroneous financial reporting.
Recommendation: We recommend the district transfer the money to the correct fund in accordance with the tax levy take necessary actions to review and reconcile future tax collections to the specified levy.

Section 3: Federal Award Findings and Questioned Cost

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

POPLARVILLE SPECIAL MUNICIPAL SCHOOL DISTICT

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

Board of Trustees

TODD NODURFT
President

VIOLINE JORDAN
Vice President

SHIRLINE MAGEE
Secretary

SAMUEL GENTRY
LISA GRAVES

Poplarville Special Municipal Separate School District

302 SOUTH JULIA STREET
POPLARVILLE, MISSISSIPPI 39470
(601) 795-8477

FAX: (601) 795-0712

CARL W. MERRITT, JR.
Superintendent

SAMANTHA J. SANDIFER, CPA
Director of Finance

CAROL FURLOW
Personnel Clerk

DIANNE BARRETT
Purchasing Agent

Auditee's Corrective Action Plan for fiscal year ending June 30, 2008

As required by Section __.315 (c) of OMB Circular A-133, the Poplarville Special Municipal Separate School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008.

Finding: 2008-1 Bank Reconciliations:

a. Name of Contact Person Responsible for Corrective Action:

Mrs. Samantha J. Sandifer, Director of Finance: 601-795-8477

b. Corrective Action Planned:

All activity fund bank reconciliations were completed on a timely basis by each school bookkeeper; however, at this time the activity funds had been accounted for in a separate accounting software. All differences have been accounted for and all activity and club funds have been transferred to the new budgetary accounting software and reviewed monthly to ensure all funds are accounted for accurately and in a timely manner.

c. Anticipated Completion Date:

Immediately

Finding: 2008-2 Ad Valorem Tax Collections:

a. Name of Contact Person Responsible for Corrective Action:

Mrs. Samantha J. Sandifer, Director of Finance: 601-795-8477

b. Corrective Action Planned:

One of the 3 mill tax note payments received by the levying authority had inadvertently been posted to the general fund rather than the debt service fund. These debt service funds were not expended on operational purposes during the fiscal year and have been transferred to the debt service fund. In addition the ad valorem tax collections for operational mills had been reconciled on a timely basis and the Poplarville School District did not include the 3 mill tax note payment received for debt purposes in the tax calculation requesting operational mills for the following fiscal year

c. Anticipated Completion Date:

Immediately

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315 (b) of OMB Circular A-133, the Poplarville Special Municipal Separate School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

Finding	Corrective Action Plan Details

There are no unresolved prior audit findings.