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Richton School District

Audited Financial Statements

For the Year Ended June 30, 2008

Suzanne E. Smith, CPA

RICHTON SCHOOL DISTRICT

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RICHTON SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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Suzanne E. Smith
Certified Public Accountant
P.O. Box 7124
Meridian, MS 39304
Phone: (601) 482-7966

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Richton School District

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

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Richton 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*, I have also issued my report dated March 11, 2009 on my consideration of the Richton School District's internal control over financial reporting and on my 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 my 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 my audit.

The Management's Discussion and Analysis on pages 5 through 13 and the Budgetary Comparison Schedules and related notes on pages 37 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richton 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 as required by the Mississippi State Auditor's Office. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the

basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented 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, I express no opinion on it.

Suzanne P. Smith

Meridian, MS
March 11, 2009

RICHTON SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

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Richton School District
Management Discussion and Analysis
For the Year Ended June 30, 2008

The discussion and analysis of Richton 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.

FINANCIAL HIGHLIGHTS

- Total net assets increased $192,025, including the effect of a negative adjustment of $12,564, which represents a 6.6% increase from the fiscal year 2007.
- General revenues accounted for $4,682,339 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $1,209,140 or 21% of total revenues.
- The District had $5,686,890 in expenses; only $1,209,140 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $4,682,339 were adequate to provide for these programs.
- Among major funds, the General Fund had $4,512,107 in revenues and $4,793,248 in expenditures. The General Fund's fund balance decreased $7,217 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by $144,635.
- Long-term debt increased by $37,824.

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 services, interest on long-term liabilities, and other debt service expenditures.

The government-wide financial statements can be found in this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are provided as Exhibit C-1 and Exhibit D-1 of the financial statements.

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

The basic governmental fund financial statements can be found in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are presented in a separate statement of fiduciary net assets and liabilities shown as Exhibit E of the financial statements.

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. The notes to the financial statements can be found following Exhibit E of the financial statements.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the general fund and each additional major special revenue fund. This required supplementary information can be found following the notes to the financial statements.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133, and a schedule of instructional, administrative and other expenditures for governmental funds can be found in the report sections entitled Required Supplementary Information and Supplementary Information.

The Other Information section contains two schedules for analysis: a schedule of revenues, expenditures, and changes in fund balances – general fund – last four years and a schedule of revenues, expenditures, and changes in fund balances – total governmental funds – last four years.

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 Richton School District, assets exceeded liabilities by $3,101,661 as of June 30, 2008.
The District's net assets reflect its investment in capital assets (e.g. land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital lease), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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

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

	2008	2007	% Change
Assets			
Current assets	$ 1,159,373	$ 1,149,192	0.9%
Capital assets, net	3,755,375	3,900,010	-3.7%
Total Assets	4,914,748	5,049,202	-2.7%
Liabilities			
Current liabilities	$ 439,723	$ 804,026	-45.3%
Long-term liabilities	1,373,364	1,335,540	2.8%
Total Liabilities	1,813,087	2,139,566	-15.3%
Net Assets:			
Invested in capital assets, net of related debt	$ 2,424,694	$ 2,608,961	-7.1%
Restricted	413,548	31,847	1198.5%
Unrestricted	263,419	268,828	-2.0%
Total Net Assets	$ 3,101,661	$ 2,909,636	6.6%

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

- The timely payment of current liabilities at fiscal year end June 30, 2008.
- The issuance of a $694,000 note issue of three mill notes payable for the purpose of capital improvements.
- The increase in restricted assets caused by the balance remaining restricted for capital improvements at fiscal year end June 30, 2008.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were $5,891,479. The total cost of all programs and services was $5,686,890. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

		2008		2007	% Change
Revenues					
Program Revenues					
Charges for Services	$	206,978	$	232,407	-10.9%
Operating grants and contributions		1,002,162		934,673	7.2%
Total Program Revenues		1,209,140		1,167,080	3.6%
General Revenues					
Property taxes	$	674,855	$	625,347	7.9%
Unrestricted grants and contributions		3,884,323		3,579,455	8.5%
Other general revenues		123,161		193,023	-36.2%
Total General Revenues		4,682,339		4,397,825	6.5%
Total Revenues		5,891,479		5,564,905	5.9%
Expenses					
Instruction	$	3,306,746	$	3,578,396	-7.6%
Support Services		1,861,513		1,633,742	13.9%
Non-instructional		440,718		437,632	0.7%
Sixteenth section		5,968		52,150	-88.6%
Interest on long-term liabilities		71,945		56,700	26.9%
Total Expenses		5,686,890		5,758,620	-1.3%
Increase(Decrease) in net assets	$	204,589	$	(193,715)	205.6%
Net Assets, July 1		2,909,636		3,104,037	-6.3%
Prior Period Adjustments		(12,564)		(685)	-1734.2%
Net Assets, June 30	$	3,101,661	$	2,909,636	6.6%

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

- Other General Revenues in the form of insurance loss recoveries decreased from the 2007 year. The 2007 insurance loss recoveries were a direct result of Hurricane Katrina losses.
- Sixteenth section expenses for the improvement of forestry lands decreased $46,182 from the 2007 year. These expenses were directly attributable to the improvement of these trust lands.
- Interest expense on long-term debt increased by $15,245 from the 2007 year.

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

	2008	2007	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
Instruction	$ 3,306,746	$ 3,578,396	$ (2,753,636)	$ (3,002,521)
Support services	1,861,513	1,633,742	(1,677,841)	(1,450,524)
Non-instructional	440,718	437,632	(3,458)	(47,102)
Sixteenth section	5,968	52,150	(3,033)	(34,693)
Interest on long-term liabilities	71,945	56,700	(39,782)	(56,700)
Total Governmental Activities	$ 5,686,890	$ 5,758,620	$ (4,477,750)	$ (4,591,540)

- Net cost of governmental activities, ($4,477,750) was financed by general revenue, which is made up of primarily property taxes ($674,855), state revenue ($3,851,823), and federal revenue ($32,500).

- Investment earnings accounted for $30,223 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 $733,045, an increase of $344,342 from the previous year. $179,634 or 25% 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 $553,411 or 75% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $7,217.

The Hurricane Fund experienced an increase in fund balance of $41,543, due mainly to the recognition of federal revenue in the form of disaster aid. The Capital Projects Fund, a fund used to account for capital improvements in the District, had an increase in fund balance of $271,029, due mainly to an interfund transfer from the general fund. The fund balance of the MAEP Debt Service Fund increased by $953, the amount of interest revenue for the year.

Other Governmental Funds combined fund balances increased by $41,428 from the previous year.

BUDGETARY HIGHLIGHTS

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

changes in tentative allocations, estimates, legislative mandates, staffing studies, and current and anticipated needs arose.

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity of the following funds are provided in this report as Required Supplementary Information.

General Fund
Hurricane Fund

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were $6,408,594, including land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents a decrease of $49,971 from the previous year. Total accumulated depreciation as of June 30, 2008, was $2,653,219 and total depreciation expense for the year was $127,074, resulting in total net capital assets of $3,755,375.

	Capital Net Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	$ 108,253	$ 108,253	0.0%
Buildings	2,467,102	2,532,386	-2.6%
Building improvements	839,259	856,744	-2.0%
Improvements other than buildings	168,511	178,423	-5.6%
Mobile equipment	57,329	80,384	-28.7%
Furniture and equipment	25,569	43,452	-41.2%
Leased property under capital lease	89,352	100,368	-11.0%
Total	$ 3,755,375	$ 3,900,010	-3.7%

Additional information about the District's capital assets can be found in Note 4 of the notes to the financial statements in this report.

Debt Administration. At June 30, 2008, the District had $1,373,364 in long term debt , of which $165,566 is due within one year. The following table shows general long-term debt balances for the year ending June 30, 2008, as compared to June 30, 2007.

		2008		2007	Percentage Change
Limited obligation bonds payable	$	560,000	$	675,000	-17.0%
Three mill notes payable		694,000		516,000	34.5%
Obligations under capital lease		76,681		100,049	-23.4%
Compensated absences		42,683		44,491	-4.1%
Total	$	1,373,364	$	1,335,540	2.8%

Additional information on the District's long-term debt obligations can be found in Note 5 in the notes to the financial statements.

CURRENT ISSUES

The Richton School District is proud of the support of its schools by the Community of Richton, Mississippi. The district is committed to excellence in education, and this commitment shows in the progress of its students and teachers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's office of Richton School District, Kyle Nobles, at 701 Elm Street, Richton, Mississippi 39476.

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RICHTON SCHOOL DISTRICT

FINANCIAL STATEMENTS

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Richton School District
Statement of Net Assets
June 30, 2008

		Exhibit A Governmental Activities
ASSETS		
Cash and cash equivalents	$	860,118
Due from other governments		243,018
Inventories and prepaid items		11,200
Restricted assets		40,582
Other receivables		4,455
Capital assets, net of accumulated depreciation		3,755,375
Total assets	$	4,914,748
LIABILITIES		
Accounts payable and accrued liabilities		95,915
Unearned revenue		413
Revenue anticipation note payable		330,000
Interest due on long-term liabilities		13,395
Long-term liabilities (due within one year)		
Capital-related liabilities		163,432
Non-capital liabilities		2,134
Long-term liabilities (due beyond one year)		
Capital-related liabilities		1,167,249
Non-capital liabilities		40,549
Total liabilities		1,813,087
NET ASSETS		
Invested in capital assets, net of related debt		2,424,694
Restricted net assets		
Expendable:		
School-based activities		(115,268)
Debt service		146,512
Forestry improvements		52,214
Unemployment benefits		18,479
Capital improvements		271,029
Non-expendable:		
Sixteenth section		40,582
Unrestricted		263,419
Total net assets	$	3,101,661

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 3,306,746	83,339	469,771		$ (2,753,636)
Support services	1,861,513		183,672		(1,677,841)
Noninstructional services	440,718	120,704	316,556		(3,458)
Sixteenth section	5,968	2,935			(3,033)
Interest on long-term debt	71,945		32,163		(39,782)
Total governmental activities	$ 5,686,890	206,978	1,002,162	0	$ (4,477,750)

General Revenues:	
Taxes:	
General purpose levies	638,532
Debt service levies	36,323
Unrestricted grants and contributions:	
State	3,851,823
Federal	32,500
Unrestricted investment earnings	30,223
Sixteenth section sources	45,823
Other	47,115
Total general revenues	4,682,339
Change in Net Assets	204,589
Net Assets - Beginning	2,909,636
Adjustments	(12,564)
Net Assets - Beginning - Restated	2,897,072
Net Assets - Ending	$ 3,101,661

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

Richton School District
Balance Sheet - Governmental Funds
June 30, 2008

Exhibit C

	Major Funds					
	General Fund	Hurricane Fund	Capital Projects Fund	MAEP Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	307,888	15,824	271,029	5,415	300,544	900,700
Due from other governments	91,295	45,377	0	0	106,346	243,018
Due from other funds	105,766	0	0	144,640	23,122	273,528
Inventory and prepaid items	4,232	0	0	0	6,968	11,200
Total assets	$509,181	61,201	271,029	150,055	436,980	1,428,446
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	35,317	12,558	0	0	48,040	95,915
Due to other funds	167,762	0	0	0	101,311	269,073
Tax anticipation notes payable	0	330,000	0	0	0	330,000
Unearned revenue	0	0	0	0	413	413
Total liabilities	203,079	342,558	0	0	149,764	695,401
Fund balances:						
Reserved for:						
Permanent fund purposes	0	0	0	0	40,582	40,582
Capital improvements	0	0	271,029	0	0	271,029
Forestry improvements	0	0	0	0	52,214	52,214
Inventory and prepaid items	4,232	0	0	0	6,968	11,200
Debt service	0	0	0	150,055	9,852	159,907
Unemployment	0	0	0	0	18,479	18,479
Unreserved:						
Undesignated, reported in						
General funds	301,870	0	0	0	0	301,870
Special revenue funds	0	(281,357)	0	0	159,121	(122,236)
Total fund balances	306,102	(281,357)	271,029	150,055	287,216	733,045
Total liabilities & fund balances	$509,181	61,201	271,029	150,055	436,980	1,428,446

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

Richton School District
Reconcilation of Governmental Funds Balance Sheet to the Statement of Net Activities
June 30, 2008

		Exhibit C-1
		Amount
Total fund balance - governmental funds	$	733,045
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of $2,653,219.		3,755,375
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		(1,373,364)
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recongizes interest as it accrues.		(13,395)
Total Net Assets - Governmental Activities	$	3,101,661

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

Richton School District
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

Exhibit D

	Major Funds					
	General Fund	Hurricane Fund	Capital Projects Fund	MAEP Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local sources	764,722	287	19	953	176,098	942,079
State sources	3,714,885	0	0	144,640	92,961	3,952,486
Federal sources	32,500	46,648	0	0	854,851	933,999
Sixteenth section sources	0	0	0	0	53,697	53,697
Total revenues	$ 4,512,107	46,935	19	145,593	1,177,607	5,882,261
EXPENDITURES						
Instruction	2,648,808	0	0	0	586,491	3,235,299
Support Services	1,639,927	4,950	3,773	0	170,386	1,819,036
Noninstructional services	9,992	0	0	0	410,039	420,031
Sixteenth section	0	0	0	0	5,968	5,968
Debt service:						
Principal	442,585	0	0	115,000	96,783	654,368
Interest	51,936	9,910	0	29,640	10,601	102,087
Total expenditures	4,793,248	14,860	3,773	144,640	1,280,268	6,236,789
Excess(deficiency) of revenues over expenditures	(281,141)	32,075	(3,754)	953	(102,661)	(354,528)
OTHER FINANCING SOURCES (USES)						
Insurance loss recoveries	0	9,468	0	0	0	9,468
Proceeds from borrowing	694,000	0	0	0	0	694,000
Transfers in	7,896	0	274,783	0	184,150	466,829
Transfers out	(426,773)	0	0	0	(40,056)	(466,829)
Other financing uses	(1,199)	0	0	0	(5)	(1,204)
Total other financing sources and uses	273,924	9,468	274,783	0	144,089	702,264
Net change in fund balances	(7,217)	41,543	271,029	953	41,428	347,736
Fund balances:						
July 01, 2007	313,319	0	0	149,102	(73,718)	388,703
Prior period adjustments	0	(322,900)	0	0	322,900	0
July 01, 2007, restated	313,319	(322,900)	0	149,102	249,182	388,703
Increase(decrease) in inventory	0	0	0	0	(3,394)	(3,394)
June 30, 2008	$ 306,102	($281,357)	$271,029	$150,055	$287,216	$733,045

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

Richton School District
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

		Exhibit D-1
Net change in fund balances (Exhibit D)	$	347,736
Amounts reported for governmental activities in the statement of activities are different because:		
1 Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Depreciation expense amounted to $127,074.		(127,074)
2 Governmental funds do not recognize loss on disposals of equipment. The Statement of Activities shows the loss recognized when asset with a purchase price of $49,971 and accumulated depreciation of $44,974 are disposed and removed from the capital asset inventory.		(4,997)
3 Payment of principal and long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.		654,368
4 Proceeds of long-term borrowing is reported as an other financing source in the governmental funds, but the borrowing increases long-term liabilities in the Statement of Activities.		(694,000)
5 Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Compensated Absences		1,808
6 Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.		(3,394)
7 Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when the interest becomes due.		30,142
Changes in net assets of governmental activities (Exhibit B)	$	204,589

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

Richton School District
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

		Agency Funds
ASSETS		
Cash and cash equivalents	$	315,619
Total Assets		315,619
LIABILITIES		
Accounts payable and accrued liabilities		277,094
Due to other funds		4,455
Due to student clubs		34,070
Total Liabilities	$	315,619

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

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(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Richton, 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.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end.

Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

Hurricane Fund – This is a special revenue fund used to account for the expenditures associated with hurricane relief revenues received in the wake of Hurricane Katrina.

Capital Projects Fund - This is a capital projects fund used to account for the funds transferred in from appropriate governmental funds to be used for the renovation and construction of school facilities.

MAEP Debt Service Fund - This is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

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.

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.

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 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. Cash and Cash Equivalents.

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

depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with original maturities of 3 months or less. Cash and cash equivalents are valued at cost.

G. 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 3 months when acquired.

Investments are reported at fair value.

H. 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.

I. Capital Assets.

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

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

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

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.
Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available

expendable resources.

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved 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 permanent fund purposes – An Account that represents a portion of the fund balance of a permanent fund that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Reserved for capital improvements – An account that represents a portion of the fund balance of a capital projects fund that is legally restricted for building improvements.

Reserved for forestry improvements – An account that represents a portion of fund balance that is legally restricted for improving sixteenth section lands.

Reserved for inventory and prepaid items - An account that represents a portion of fund balance that is made up of inventory and prepaid items that are not considered expendable financial resources even though they are a component of net current assets.

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

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

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

M. Property Taxes.

Ad valorem property taxes are levied by the governing 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.

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal 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.

(2) Cash and Cash Equivalents and Investments.

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

Restrictions on deposits and investments are imposed by statutes as follows:

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, an open-end or closed-end 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 $900,700 and $315,619, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents $860,118 and restricted assets $40,582, which consists of cash and investments 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. The

bank balance of the district's cash and cash equivalents at June 30, 2008, was $1,686,966.

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 $1,686,966 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	$101,311
	Fiduciary funds	4,455
MAEP Debt Service Fund	General Fund	144,640
Other governmental funds	General Fund	23,122
Total		$273,528

Amounts due from/to other funds represent interfund loans caused by timing of receivables due from other governments to special revenue funds and the related interfund loans necessary to remedy these timing differences and for interest earned on fiduciary fund checking accounts, which is due to the District Maintenance Fund (General Fund) at June 30, 2008. The amounts payable by the General Fund represent deposits made into the General Fund bank account in error that are payable to other funds at balance sheet date.

B. Transfers In/Out.

Transfer Out	Transfer In	Amount
General Fund	Capital Projects Fund	$274,783
	Other governmental funds	151,990
Other governmental funds	General Fund	7,896
	Other governmental funds	32,160
Total		$466,829

The interfund transfers constitute general operating transfers and transfers of indirect costs. The general operating transfers move resources between funds, while transfers of indirect costs provide resources for the General Fund in return for financing the indirect costs associated with certain federal programs.

(4) Capital Assets.

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

		Balance July 01, 2007	Additions	Retirements	Adjustments	Balance June 30, 2008
Non-depreciable Assets:						
Land	$	108,253				108,253
Total non-depreciable assets		108,253	0	0	0	108,253
Depreciable Assets:						
Buildings		4,437,565				4,437,565
Building Improvements		874,229				874,229
Improvements other than buildings		247,808				247,808
Mobile equipment		454,641		44,700		409,941
Furniture and equipment		213,669		5,271		208,398
Leased property under capital lease		122,400				122,400
Total depreciable assets		6,350,312	0	49,971	0	6,300,341
Less: Accumulated Depreciation for -						
Buildings		1,905,179	65,284			1,970,463
Building Improvements		17,485	17,485			34,970
Improvements other than buildings		69,385	9,912			79,297
Mobile equipment		374,257	9,405	40,230	9,180	352,612
Furniture and equipment		170,217	13,972	4,744	3,384	182,829
Leased property under capital lease		22,032	11,016			33,048
Total accumulated depreciation		2,558,555	127,074	44,974	12,564	2,653,219
Total depreciable capital assets, net		3,791,757	(127,074)	4,997	(12,564)	3,647,122
Governmental activities capital assets, net	$	3,900,010	(127,074)	4,997	(12,564)	3,755,375

Depreciation expense was charged to the following governmental functions:

Instruction	$	72,351
Support services		34,036
Non-instructional		20,687
Total	$	127,074

(5) Long-term Liabilities.

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

		Balance July 01, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
A. Limited obligation bonds payable	$	675,000		115,000	560,000	80,000
B. Three mill notes payable		516,000	694,000	516,000	694,000	59,000
C. Obligations under capital lease		100,049		23,368	76,681	24,432
D. Compensated absences payable		44,491		1,808	42,683	2,134
Totals	$	1,335,540	694,000	656,176	1,373,364	165,566

A. Limited obligation bonds payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital Improvement, Series 1998	4.8%	04-01-1998	08-01-2013	$1,235,000	$560,000

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

Year Ending June 30,		Principal	Interest	Total
2009		80,000	24,960	104,960
2010		90,000	20,880	110,880
2011		90,000	16,560	106,560
2012		95,000	12,120	107,120
2013		205,000	9,960	214,960
Totals	$	560,000	84,480	644,480

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 37-15-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of legal debt limits. See Note 7. This debt will be retired from the MAEP Debt Service Fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2008	3.69%	06-11-2008	06-01-2018	$694,000	$694,000

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

Year Ending June 30	Principal	Interest	Total
2009	59,000	25,609	84,609
2010	61,000	23,432	84,432
2011	63,000	21,181	84,181
2012	65,000	18,856	83,856
2013	68,000	16,457	84,457
2014-2018	378,000	42,841	420,841
Totals $	694,000	148,376	842,376

Current refunding of three mill notes payable.

The issuance of this debt on June 11, 2008, reflected the redemption of the District's 2002 Limited Tax Notes 2009-2017 maturities. The amount of the current refunding of the 2002 Limited Tax Notes series was $469,000. $50,000 was transferred from the General Fund to help satisfy the 2002 Limited Tax Notes current refunding. The 2008 Limited Tax Notes were issued in an amount in excess of the requirement for redemption of the 2002 series. This additional amount of borrowing proceeds, $274,783, was transferred to the Capital Projects Fund to be used for building improvements. The cash flows required to service the old debt (2002 Limited Tax Notes 2009-2017 maturities) was $583,065. The cash flows required to service the new debt (2008 Limited Tax Notes 2009-2018 maturities) is $505,425. The economic gain on this current refunding is $51,700. State educational enhancement fund revenues are pledged as future payments on the Limited Tax Notes series. For further details on this revenue pledge, see Note 7.

This debt will be retired from the Short-term Bond and Interest Fund.

C. Obligations Under Capital Lease.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of two school buses.

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

Year Ending June 30	Principal	Interest	Total
2009	24,432	2,933	27,365
2010	25,543	1,796	27,339
2011	26,706	608	27,314
Totals $	76,681	5,337	82,018

The equipment will become the property of the school district after the term of the lease has ended and all lease payments have been paid.

The district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

The debt will be retired from the District Maintenance Fund.

D. Compensated Absences Payable.

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

(6) Short-term borrowing.

The following is a summary of changes in short-term liabilities and obligations for governmental activities.

		Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
Tax Revenue Anticipation Note	$	330,000	-	-	330,000	330,000

The Tax Revenue Anticipation Note was issued September 1, 2006, at a rate of 3.9%. A reduction of $60,000 was paid on the note during the 2006-2007 year. The remaining balance is due September 1, 2008. See Note 13 for details of the final payment made on the note.

The proceeds of the short-term borrowing were used for school repair purposes following destruction caused by Hurricane Katrina in anticipation of the collection of taxes and other revenues, pursuant to Code Section 35-59-37, Mississippi Code Ann. (1972). The borrowing was slated as being payable out of the proceeds of anticipated revenues from FEMA and other Federal funds to be receive due to Hurricane Katrina and which may be used for such purpose, insurance reimbursements, district maintenance funds, timber sale revenues, and any other available funds of the District.

(7) Pledged Revenues.

The School District has pledged a portion of future state Minimum Adequate Education Program revenues to repay $1,235,000 in limited obligation bonds payable issued in April 1998. Proceeds from the bonds were used to finance capital improvements made to the district's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through August 1, 2013. Annual principal and interest payments on the bonds are expected to require approximately four (4) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is $560,000. Principal and interest paid for the current year and total State Minimum Adequate Education Program revenues were $144,640 and $3,420,905, respectively.

The School District has pledged a portion of future Educational Enhancement Fund revenues to repay $694,000 in three mill notes payable issued in June 2008. Proceeds from the notes were used to refund a portion of 2002 limited tax notes payable (which were also backed by a similar pledge from a portion of future Educational Enhancement Fund revenues) and to make capital improvements to the district's buildings. The notes are payable in part from future revenues of the state Educational Enhancement Buildings and Buses Revenue Program and are payable through 2018. Annual principal and interest payments on the notes are expected to require all of such state revenues designated as Educational Enhancement Buildings and Buses Revenues and additional revenues raised through ad valorem debt service levies. The total principal and interest remaining to be paid on the notes is $842,376. No principal and interest payments were made for the current year on these notes. Total state Educational Enhancement Building and Buses revenues were $32,163.

(8) Defined Benefit Pension Plan.

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

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

Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were $375,379, $365,436, and $340,419, respectively, equal to the required contributions for each year.

(9) Sixteenth Section Lands.

Sixteenth section school lands, or land 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	6,670
Total $	6,670

(10) Deficit Fund Balance of Individual Funds.

The Hurricane Fund has a deficit fund balance of ($281,357). This deficit was caused when the district issued a short-term tax revenue anticipation note in anticipation of future revenues to fund renovations made necessary by damages caused in Hurricane Katrina. The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund).

(11) Prior Period Adjustments/Exhibits.

Exhibit B - Statement of Activities

	Explanations	Amount
1.	Reclassification of Fund Type – Hurricane Fund	($322,899)
	Reclassification of Fund Type – RSD Renovation Fund	$322,899
	Net Effect	$ 0

The school district reclassified the RSD Renovation Fund (capital projects fund) to a special revenue fund, the Hurricane Fund, upon the advice of the Office of the State Auditor. The fund was established to track the repair efforts of the effects of Hurricane Katrina and the revenues from emergency grant aid and other sources, including insurance proceeds.

(12) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.
The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation

self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(13) Subsequent Events.

The short-term borrowing explained in Note 6 was paid in full on September 8, 2008. The total payment, including principal and interest, was $342,391. This repayment included seven days' interest accruing subsequent to the due date of the note, September 1, 2008. This borrowing repayment was made possible by an interfund transfer from the District Maintenance Fund, which is the District's general operating fund. The transfer was necessary because the anticipated revenues necessary to repay the note did not materialize by the due date of the note.

The necessary transfer from the District Maintenance Fund (general fund) to the Hurricane Fund seriously eroded the fund balance of the District's general operating fund. A cut in state revenues in excess of 3% was announced in January 2009. Taking into account the announced state revenue cuts and the expenditures for the 2008-2009 year, the District Maintenance Fund (general fund) could end the fiscal year at June 30, 2009, with a fund balance that is less than the state-recommended minimum of 5% of subsequent year total revenues.

RICHTON SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

RICHTON SCHOOL DISTRICT

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RICHTON SCHOOL DISTRICT
Budgetary Comparison for the General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	GAAP Basis	Original to Final	Final to Actual
Revenues					
Local sources	775,336	760,266	764,722	(15,070)	4,456
State sources	3,527,146	3,747,200	3,714,885	220,054	(32,315)
Federal sources	500	32,500	32,500	32,000	0
Total Revenues	$ 4,302,982	4,539,966	4,512,107	236,984	(27,859)
Expenditures					
Instruction	2,678,574	2,648,808	2,648,808	29,766	0
Support Services	1,588,632	1,639,927	1,639,927	(51,295)	0
Noninstructional	10,000	9,992	9,992	8	0
Debt service					
Principal	0	449,413	442,585	(449,413)	6,828
Interest	33,676	12,945	51,936	20,731	(38,991)
Total Expenditures	4,310,882	4,761,085	4,793,248	(450,203)	(32,163)
Excess (Deficiency) of Revenues Over Expenditures	(7,900)	(221,119)	(281,141)	(213,219)	(60,022)
Other Financing Sources (Uses)					
Proceeds from borrowing	0	694,000	694,000	694,000	0
Operating transfers in	9,700	474,282	7,896	464,582	(466,386)
Operating transfers out	0	(893,158)	(426,773)	(893,158)	466,385
Other financing uses	0	(1,200)	(1,199)	(1,200)	1
Total Other Financing Sources (Uses)	9,700	273,924	273,924	264,224	0
Net Change in Fund Balances	1,800	52,805	(7,217)	51,005	(60,022)
Fund Balances					
July 01, 2007	313,319	313,319	313,319	0	0
June 30, 2008	$ 315,119	366,124	306,102	51,005	(60,022)

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

RICHTON SCHOOL DISTRICT
Budgetary Comparison for the Hurricane Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	GAAP Basis	Original to Final	Final to Actual
Revenues					
Local sources	1,000	286	287	(714)	1
State sources	0	0	0	0	0
Federal sources	0	39,548	46,648	39,548	7,100
Sixteenth section sources	0	0	0	0	0
Total Revenues	$ 1,000	39,834	46,935	38,834	7,101
Expenditures					
Instruction	0	0	0	0	0
Support Services	0	4,950	4,950	(4,950)	0
Noninstructional	0	0	0	0	0
Sixteenth section	0	0	0	0	0
Debt service	0	0	9,910	0	(9,910)
Total Expenditures	0	4,950	14,860	(4,950)	(9,910)
Excess (Deficiency) of Revenues Over Expenditures	1,000	34,884	32,075	33,884	(2,809)
Other Financing Sources (Uses)					
Insurance loss recoveries	0	9,468	9,468	9,468	0
Operating transfers in	0	0	0	0	0
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	9,468	9,468	9,468	0
Net Change in Fund Balances	1,000	44,352	41,543	43,352	(2,809)
Fund Balances					
July 01, 2007	0	0	0	0	0
Prior period adjustments - reclassify fund type	(322,900)	(322,900)	(322,900)	0	0
July 1, 2007, restated	(322,900)	(322,900)	(322,900)	0	0
June 30, 2007	$ (321,900)	(278,548)	(281,357)	43,352	(2,809)

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

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RICHTON SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

RICHTON SCHOOL DISTRICT

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RICHTON SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U. S. Department of Agriculture		
Child nutrition cluster:		
Passed-throughh Mississippi Department of Education:		
School breakfast program	10.553	220,651
National school lunch program	10.555	66,992
Total passed-through Mississippi Department of Education		287,643
Total Child nutrition cluster:		287,643
Total U. S. Department of Agriculture		$ **287,643**
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service Fund	32.XXX	32,500
Total Federal Communications Commission		**32,500**
U. S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	269,654
Safe and drug-free schools and communities - state grants	84.186	3,117
State grants for innovative programs	84.298	179
Rural education	84.358	21,892
Improving teacher quality - state grants	84.367	83,058
Total		377,900
Special education cluster:		
Special education - grants to states	84.027	180,382
Special education - preschool grants	84.173	8,926
Total		189,308
Total passed-through Mississippi Department of Education		567,208
Total U. S. Department of Education		**567,208**
Department of Homeland Security		
Passed-through Mississippi Emergency Management Agency:		
Disaster grants - public assistance	97.036	46,648
Total passed-through Mississippi Emergency Management Agency		46,648
Total Department of Homeland Security		**46,648**
Total for all Federal Awards		$ **933,999**

NOTES TO SCHEDULE

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

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

Expenditures		Total	Instructional and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	4,334,542	3,374,939	280,376	202,723	476,504
Other		1,902,247	267,179	131,116	24,583	1,479,369
Total		6,236,789	3,642,118	411,492	227,306	1,955,873
Toal number of students *		766				
Cost per student	$	8,142	4,755	537	297	2,553

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

Instructional and other Student Instructional Expenditures – includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teacher aides or classroom assistants of any type (all the 1,000's, 2100's, and 2200's functional expenditure codes).

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

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

Other – includes all expenditure functions not included in Instructional or Administration categories.

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

RICHTON SCHOOL DISTRICT

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RICHTON SCHOOL DISTRICT

OTHER INFORMATION

RICHTON SCHOOL DISTRICT

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Richton School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund - Last Four Years

"Unaudited"

		Fiscal Year Ending June 30,			
		2008	2007	2006	2005
REVENUES					
	Local sources	764,722	734,431	674,372	632,884
	State sources	3,714,885	3,390,450	3,340,766	3,119,846
	Federal sources	32,500	27,129	41,237	35,652
	Total revenues	$ 4,512,107	4,152,010	4,056,375	3,788,382
EXPENDITURES					
	Instruction	2,648,808	2,876,592	2,673,944	2,525,467
	Support Services	1,639,927	1,431,697	1,507,469	1,319,892
	Noninstructional services	9,992	7,948	9,301	5,424
	Debt service:	-	-	-	-
	Principal	442,585	22,351	-	-
	Interest	51,936	5,569	-	-
	Total expenditures	4,793,248	4,344,157	4,190,714	3,850,783
	Excess(deficiency) of revenues over expenditures	(281,141)	(192,147)	(134,339)	(62,401)
OTHER FINANCING SOURCES (USES)					
	Inception of captal leases	-	-	122,400	-
	Proceeds from borrowing	694,000	-	-	-
	Transfers in	7,896	116,986	10,012	88,177
	Transfers out	(426,773)	(162,597)	(141,827)	(13,000)
	Other financing uses	(1,199)	-	-	-
Total other financing sources and uses		273,924	(45,611)	(9,415)	75,177
Net change in fund balances		(7,217)	(237,758)	(143,754)	12,776
Fund balances:					
July 1		313,319	551,762	695,516	682,740
Prior period adjustments		-	(685)	-	-
July 1, restated		313,319	551,077	695,516	682,740
June 30		$ 306,102	313,319	551,762	695,516

RICHTON SCHOOL DISTRICT

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Richton School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Total Governmental Funds - Last Four Years

					"Unaudited"
		Fiscal Year Ending June 30,			
		2008	2007	2006	2005
REVENUES					
	Local sources	942,079	897,900	808,561	769,624
	State sources	3,952,486	3,619,812	3,569,011	3,463,919
	Federal sources	933,999	894,336	1,016,059	769,626
	Sixteenth section sources	53,697	152,857	8,006	8,287
	Total revenues	$ 5,882,261	5,564,905	5,401,637	5,011,456
EXPENDITURES					
	Instruction	3,235,299	3,507,722	3,326,697	3,073,008
	Support Services	1,819,036	1,601,922	1,852,348	1,452,745
	Noninstructional services	420,031	422,541	360,241	357,613
	Facilities acquisition	-	629,150	245,079	-
	Sixteenth section	5,968	52,150	537	868
	Debt service:	-	-	-	-
	Principal	654,368	177,351	148,000	141,000
	Interest	102,087	65,481	66,172	72,210
	Total expenditures	6,236,789	6,456,317	5,999,074	5,097,444
	Excess(deficiency) of revenues over expenditures	(354,528)	(891,412)	(597,437)	(85,988)
OTHER FINANCING SOURCES (USES)					
	Inception of capital lease	-	-	122,400	-
	Insurance loss recoveries	9,468	-	606,630	-
	Proceeds from borrowing	694,000	-	-	-
	Transfers in	466,829	279,822	184,839	132,177
	Transfers out	(466,829)	(279,822)	(184,839)	(132,177)
	Other financing uses	(1,204)	-	-	-
Total other financing sources and uses		702,264	-	729,030	-
Net change in fund balances		347,736	(891,412)	131,593	(85,988)
Fund balances:					
July 1		388,703	1,281,778	1,147,926	1,236,114
Prior period adjustments		-	(685)	-	-
July 1, restated		388,703	1,281,093	1,147,926	1,236,114
Increase(decrease) in inventory		(3,394)	(978)	2,259	(2,200)
June 30		733,045	388,703	1,281,778	1,147,926

RICHTON SCHOOL DISTRICT

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RICHTON SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

RICHTON SCHOOL DISTRICT

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REPORT ON INTERNAL CONTROLS 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
Richton School District

I have audited the financial statement of the governmental activities, each major fund and the aggregate remaining fund information of Richton School District as of and for the year ended June 30, 2008, which collectively comprise Richton School District's basic financial statements and have issued my report thereon dated March 11, 2009. I conducted my 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 my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

My 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, I identified certain deficiencies in the internal control over financial reporting that I 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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-02, 2008-03 and 2008-04 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessary disclose all significant deficiencies that are also considered to be material weaknesses. However, I consider Finding 2008-01 to be 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, I performed tests of 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 March 11, 2009, which is included in this report.

Richton School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Richton School District's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the District's 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.

Suzanne R. Smith

Meridian, MS
March 11, 2009

Suzanne E. Smith
Certified Public Accountant

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRULAR 1-133

Superintendent and School Board
Richton School District

Compliance

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

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

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

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

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

My 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. I did not identify any deficiencies in internal control over compliance that I 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 the specified parties. However, this report is a matter of public record and its distribution is not limited.

Meridian, MS
March 11, 2009

RICHTON SCHOOL DISTRICT

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

RICHTON SCHOOL DISTRICT

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REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
Richton School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Richton School District as of and for the year ended June 30, 2008, which collectively comprise Richton School District's basic financial statements and have issued my report thereon dated March 11, 2009. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion. The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding numbered **State Legal 2008-02**. The district reported $10,641 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate function level expenditure codes in expenditures by the school district. The results of my procedures performed to test compliance with the requirements of Section 37-9-18(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. My findings and your responses are as follows:

Finding

State Legal 2008-01.

The school district did not submit timely financial statements to the school board as required by Section 37-9-18, Mississippi Code Ann. (1972). In four of the twelve months of the fiscal year, the reports submitted did not meet the time requirements established by state law.

Recommendation

I recommend that the district administration submit timely financial information to the school board at each monthly board

meeting for all activity of the previous month.

District Response

The Richton School District will comply with state law by submitting financial statements to the school board each month in a timely manner.

Dedie Cooley, Business Manager, will implement this action immediately to be in compliance with state law.

This corrective action has been in place for several months now.

Finding

State Legal 2008-02.

The school district did not allow principals the opportunity to expend the balance of unencumbered, unspent educational enhancement dollars on hand in the district at March 31, 2008, for instructional supplies, materials, and equipment. Miss. Code Section 37-61-33 states that: "However, beginning July 1, 2007, any funds allocated under this subparagraph which are not reserved in an approved spending plan but remain unspent on March 31 of the fiscal year in which the funds were allotted must be utilized by the school where the teacher is employed for instructional supply and equipment purposes." There was no evidence that principals were made aware of this or that they were given the opportunity to spend any remaining unnsed amounts.

Recommendation

I recommend that the district allow principals the opportunity to expend the balance of unencumbered, unspent educational enhancement dollars on hand in the district at March 31 of each year.

District Response

The Richton School District will comply with state law by making the principals aware of any remaining educational enhancement funds to be spent after March 31 of each year.

Mr. Kyle Nobles, Superintendent of Education, and Dedie Cooley, Business Manager, will implement this action immediately in order to be in compliance with state law.

The corrective action will begin immediately by notifying the principals, in writing, of the balance of any unspent educational enhancement dollars on hand in the district at March 31, 2009. They will have the opportunity to expend the balance of these unencumbered dollars for instructional supplies and materials for their schools.

Finding

State Legal 2008-03.

The school district failed to provide a current listing of children residing in shared townships to Perry County School District during the the 2007-2008 year. Code Section 29-3-121 Mississippi Code Ann. (1972) requires that the Richton School District submit to the Perry County School District each year. The listing is to be used as a basis for dividing shared revenues earned on sixteenth section lands.

Recommendation

I recommend that the school district establish procedures to prepare and provide the appropriate listing of children to all Districts with whom the school district shares sixteenth section revenues. This process should be completed by December 31 of each year.

District Response

The Richton School District will comply with state law by providing a current listing of children residing in shared townships to Perry County School District each year.

Mr. Kyle Nobles, Superintendent of Education, and Dedie Cooley, Business Manager, will implement this action to be in compliance with state law.

Corrective Action is in place at this time. The Richton School District has provided, for the 2008-2009 year, a listing of students residing in shared townships to Perry County School District. This listing will be used as a basis for dividing shared revenues earned on sixteenth section lands.

Finding

State Legal 2008-04.

The school district shares 16th section revenues with Perry County School District in two townships. Money collected from rents and leases and timber sales on these trust lands must be shared in accordance with Code Section 29-3-119, Miss. Code Ann. (1972). During the 2006-2007 year, the school district collected monies from leases and timber sales that should have been shared with the Perry County School District. $35,911.31 of the revenues collected should have been remitted to the other district. No such monies were remitted to the district during either the 2006-2007 year or the 2007-2008 year. During the 2007-2008 year the school district collected monies from sixteenth section lands that should have been shared with Perry County School District. $5,968.42 of the revenues collected should have been remitted to the other district. No such monies were remitted to the district during the 2007-2008 year. A total of $41,879.73 is now due to the Perry County School District.

Recommendation

I recommend that the district remit the amounts owed to the other district and begin a process of timely settlements of all shared revenues to this other district.

District Response

The Richton School District will comply with state law by remitting monies owed to other districts for shared lease and timber revenues on a timely basis.

Mr. Kyle Nobles, Superintendent of Education and Dedie Cooley, Business Manager, will implement the corrective action plan.

The corrective action is in place at this time. The Richton School District has submitted to Perry County School District the sum of $35,911.31 for revenues collected from rents, leases, and timber sales for the 2006-2007 year. The Richton School District will remit to Perry County School District the remaining $5,986.42 of shared revenues collected for the 2007-2008 year after approval of the next claims docket.

Finding

State Legal 2008-05.

The school district did not allocate interest earned in a pool bank account between all funds pooled in the account. Interest earned on the pooled bank account was all credited to the general operating fund. Code Section 37-59-43, Mississippi Code Ann. (1972) states that all interest earned per fund in excess of $100 per year must be credited as revenue to that particular fund. The district failed to credit interest revenue to investing funds in the total amount of $5,792.11.

Recommendation

I recommend that interest earned in pooled bank accounts be divided between investing funds and credited to each fund as revenue of that fund when the $100 per year amount is reached.

District Response

The Richton School District will comply with state law by allocating the interest earned in pooled bank accounts.

Dedie Cooley, Business Manager, will implement the corrective action plan.

The corrective action will begin immediately. The Business Manager will divide the interest between the investing funds and credit the interest to each fund as revenue of that fund when the $100 per year amount is reached.

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 Richton School District's responses to the findings included in this report were not audited and, accordingly, I 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.

Suzan R. Smith

Meridian, MS
March 11, 2009

RICHTON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RICHTON SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs	Unqualified
5. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified that are not considered to be material Weaknesses?	No
6. Any audit finding(s) reported as required by section ___.510(a) of Circular A-133?	No
7. Federal programs identified as major programs:	

a. Child Nutrition Cluster
   CFDA # 10.553
   CFDA # 10.555

b. Title I grants to local educational agencies
   CFDA # 84.010

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

Section 2: Financial Statement Findings

Control Deficiencies considered to be a Material Weakness:

2008-01. Finding Weakness in controls surrounding financial statement preparation

The school district is responsible for designing and establishing a system of reporting and asset controls to make sure that school district's assets are protected and that the financial records and statements are accurate and correct in all material respects.

The school district management did not have a full understanding of the requirements of generally accepted governmental accounting principles in order to accurately prepare and present a set of financial statements for the 2007-2008 year.

Accrued payroll amounts payable were shown as fiduciary fund liabilities at June 30, 2008, even though the related assets were held in governmental fund bank accounts at this date. An adjustment was necessary to properly reflect the accrued payroll amounts in the appropriate governmental funds at balance sheet date. The amount of the accrued payroll was $277,094. An adjusting journal entry was necessary to properly restate the accrued payroll as an accrued liability instead of an interfund payable. The payroll clearing bank account was not reconciled at June 30, 2008. The difference between the book balance and bank balance was over $111,000. The differences were determined to be outstanding bank debits from previous months not recognized by the school district in their attempts to reconcile the bank statements.

There were many adjustments necessary on the face of the bank reconciliations to balance the book amounts with bank amounts in the other bank reconciliations prepared at June 30, 2008. Many of these adjustments were actually interfund receivables and payables that were not recorded by the district. Adjusting entries were necessary in order to properly state these interfund balances.

Recommendation

Accrued payroll should be shown in the proper funds at balance sheet date. The district should record the accrual in the fund/s where the related asset is found at balance sheet date.

Bank statements should be fully reconciled each month for all accounts. Interfund liabilities should be shown on the balance sheet as interfund receivables and payables instead of outstanding adjustments to bank statement reconciliations.

All options, including the hiring of outside audit firms or contractors, should be considered when preparing year-end financial statements for audit.

Control Deficiencies considered to be a Significant Deficiencies

2008-02. Finding Lack of segregation of duties central office receipts/revenues

A lack of segregation of duties exists at the central office in the area of cash receipts/revenues. The following duties are combined for the business manager:

- Cash receipts
- Coding of cash receipts
- Preparation of deposits
- Recording of deposits

This increases the risk that unauthorized or inappropriate transactions could be processed and not be detected by school district business department employees in the normal course of their day-to-day duties. As in many public school districts, staff is limited at the local school level. Limited staff is likely the main reason for this lack of segregation of duties.

Recommendation

While the best course of action would be to increase staff size, this may not be feasible. The school district should explore

compensating controls that would allow a system of checks and balances in the cash receipts/revenue cycle.

2008-03. Finding Payroll expenditures should be supported by adequate documentation

Management is responsible for ensuring that support for all expenditures made by the district is adequately documented. Furthermore, management is responsible for providing documentation to ensure compliance with Fair Labor Standards requirements.

I noted that non-exempt, hourly workers were being paid in twelve equal installments during the 2006-2007 year. There was no consistent method of capturing actual hours worked by non-exempt, hourly workers. This could result in employees being improperly compensated.

Payroll records, including time cards and contracts, were not available for some of the test items selected. The failure to maintain proper records could result in questioned costs and continued audit findings in this area.

Recommendation

The district has started a new method of pay for non-exempt, hourly workers in the 2008-2009 year. I recommend that this new method of paying hourly workers for the actual hours worked in separate, defined pay periods be continued, monitored, and refined to serve as the method of accurately capturing actual hours worked by non-exempt, hourly workers.

All payroll records, including time cards and contracts, should be maintained on file as evidence of amounts paid.

2008-04. Finding Controls surrounding capital assets

The district's capital assets subsidiary records at July 1, 2007, did not tie to prior year audit report audited balances. The accumulated depreciation balances had to be adjusted by $12,584. The adjustments represented errors in prior period reporting. Subsidiary records should tie to financial statement amounts and support the fairness in presentation of those amounts. Failure to reconcile the subsidiary records with prior year amounts represents a weakness in the control systems surrounding capital assets.

An annual physical inventory of the district's capital assets was not performed during the 2007-2008 year. Such an inventory is necessary for the substantiation of the existence of such capital assets recorded in the subsidiary records and on the face of the financial statements.

Recommendation

Controls surrounding capital asset accounting should be strengthened. Subsidiary records should be balanced to prior year audited amounts and differences investigated promptly. An annual physical inventory should be completed prior to the balance sheet date each year. This annual inventory should be documented and findings and discrepancies investigated promptly.

Section 3: Federal Award Findings and Questioned Costs

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

RICHTON SCHOOL DISTRICT

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AUDITEE'S CORRECTIVE ACTION PLAN

RICHTON SCHOOL DISTRICT

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Richton School District
701 Elm Street
P.O. Box 568
Richton, MS 39476

CORRECTIVE ACTION PLAN

Response to Finding 2008-01. Weakness in internal controls surrounding financial statement preparation.

The Richton School District will establish a system of reporting and asset control to make sure that the school district assets are protected and that the financial records and statements are accurate and correct in all material respects.

Dedie Cooley, Business Manager, will implement the corrective action plan to make sure that all bank statements are reconciled on a monthly basis and that the accrued payroll amounts are shown in the proper funds on the balance sheet. All interfund liabilities will be properly reflected on the balance sheet each year.

Corrective action will begin immediately.

Response to Finding 2008-02. Lack of segregation of duties central office receipts/revenues.

The Richton School District will establish a segregation of duties, to the extent possible, that will allow a system of checks and balances in the cash receipts/revenue cycle at the central office level.

Dedie Cooley, Business Manager, will implement the corrective action to segregate the duties of the receipts/revenue cycle. One employee logs in all receipts flowing into the central office. A second employee prepares the actual receipt. The Business Manager prepares the deposit and codes and enters the receipt into the accounting system, while the second employee who prepared the actual receipt takes the deposit to the bank.

The corrective action is in place at this time.

Response to Finding 2008-03. Payroll expenditures should be supported by adequate documentation.

The Richton School District will make sure that support for all expenditures made by the district is adequately documented and that documentation is provided to support compliance with Fair Labor Standards requirements in the area of payroll.

Dedie Cooley, Business Manager, will implement the corrective action by capturing actual hours worked by all non-exempt, hourly workers to serve as a basis for actual compensation paid. The district has implemented an automated time and attendance system that is being used to capture actual time worked for all non-exempt, hourly workers except for teacher assistants. The time and attendance system will be extended to include teacher assistants for the upcoming 2009-2010 fiscal year. All payroll records, time sheets, and contracts will be maintained on file in the central office.

Corrective action is ongoing at this time.

Response to Finding 2008-04. Controls surrounding capital assets.

The Richton School District will take corrective action to strengthen the controls surrounding capital asset accounting and reporting.

Dedie Cooley, Business Manager, will implement this corrective action by making sure that subsidiary records are balanced to prior year audited balances and that an annual physical inventory of assets is completed prior to the end of each fiscal year.

Corrective action will begin immediately during the 2008-2009 year.