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South Delta School District

Financial Statements

June 30, 2008

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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ELLIS & HIRSBERG
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
South Delta School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2009, on our consideration of the South Delta School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 37 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Delta School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenue, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

May 5, 2009

Ellis + Ainsworth CPA PLLC

SOUTH DELTA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of South Delta School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets for 2008 increased $729,184, which represents an approximate 10.88% increase from fiscal year 2007. Total net assets for 2007 increased $261,027, which represents a 4.05% increase from fiscal year 2006.

General revenues account for $8,370,576 and $8,012,720 in revenue, or 72.25% and 68.55% of all revenues for fiscal years 2008 and 2007, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,215,672 or 27.75% of total revenues for 2008 and $3,676,440 or 31.45% of total revenues for 2007.

The District had $10,857,064 and $11,428,133 in expenses for fiscal years 2008 and 2007, respectively; only $3,215,672 for 2008 and $3,676,440 for 2007 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $8,370,576 for 2008 and $8,012,720 for 2007 were adequate to provide for these programs.

Among major funds, the General Fund had $7,583,498 in revenues and $7,834,785 in expenditures for 2008 and $7,263,462 in revenues and $6,844,510 in expenditures in 2007. The General Fund's fund balance decreased by $867,201 from 2007 to 2008 and increased $66,890 from 2006 to 2007. This decrease was due to the acquisition of capital assets during the year.

Capital assets, net of accumulated depreciation, increased by $776,875 for 2008 and decreased by $35,581 for 2007. The increase for 2008 was due to the acquisition of several new buses and other capital assets during the year.

Long-term debt decreased by $18,273 for 2008 and increased by $4,196 for 2007. This was due to the change in the balance for liability for compensated absences for both years.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 15 - 17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current 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 on pages 19 and 22, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. 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 governmental fund financial statements can be found on pages 18 - 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary assets and liabilities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 23.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major Special Revenue Fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 42 of this report and the Schedule of Instructional, Administrative and Other Expenditures - Governmental Fund on page 44. The four year schedules required by the Mississippi Department of Education can be found on pages 45 and 46.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $7,432,519 as of June 30, 2008

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

By far the largest portion of the District's net assets 26.02% reflects its investment in capital assets (land, buildings, mobile equipment, furniture and equipment.) The District uses capital assets to provide services to its students; consequently these assets are not available for future spending.

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

Table 1
CONDENSED STATEMENT OF NET ASSETS

	2008	2007	Total Dollar Variance	Total Percentage Variance
Current assets	$ 6,140,210	6,233,669	(93,459)	(1.50%)
Capital assets, net	1,934,312	1,157,437	776,875	67.12%
Total assets	8,074,522	7,391,106	683,416	9.29%
Current liabilities	581,815	609,310	(27,495)	(4.51%)
Long-term debt outstanding	60,188	78,461	(18,273)	(23.29%)
Total liabilities	642,003	687,771	(45,768)	(6.65%)
Net assets:				
Invested in capital assets, net of related debt	1,934,312	1,157,437	776,875	67.12%
Restricted	5,468,423	4,667,188	801,235	17.17%
Unrestricted	29,784	878,710	(848,926)	(96.61%)
Total net assets	$ 7,432,519	6,703,335	729,184	10.88%

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

- Increase in net capital assets in the amount of $776,875.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were $11,586,248 and $11,689,160, respectively. The total cost of all programs and services for 2008 was $10,857,064 and $11,428,133 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

Table 2
CHANGE(S) IN NET ASSETS

	2,008	2007	Total Dollar Variance	Total Percentage Variance
Revenues:				
Program revenues				
Charges for services	$ 121,303	117,452	3,851	3.28%

Operating grants & contributions	3,094,369	3,558,988	(464,619)	(13.05%)
General revenues				
Property taxes	1,542,655	1,549,692	(7,037)	(.45%)
Grants and contributions not restricted	5,929,488	5,577,914	351,574	6.30%
Other	898,433	885,114	13,319	1.50%
Total revenues	11,586,248	11,689,160	(102,912)	(.88%)
Expenses:				
Instruction	5,264,871	5,526,739	(261,868)	(4.74%)
Support services	4,685,997	4,965,753	(279,756)	(5.63%)
Non-instructional	869,490	890,879	(21,389)	(2.40%)
Sixteenth section	36,706	44,762	(8,056)	(18.00%)
Total Expenses	10,857,064	11,428,133	(571,069)	(5.00%)
Increase in net assets	729,184	261,027	468,157	179.35%
Net Assets, July 1	6,703,335	6,442,308		
Net Assets, June 30	$ 7,432,519	6,703,335		

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

Table 3
NET COST OF GOVERNMENTAL ACTIVITIES

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	$ 5,264,871	(3,744,071)	5,526,739	(3,860,200)
Support services	4,685,997	(3,760,295)	4,965,753	(3,913,339)
Non-instructional	869,490	(100,320)	890,879	66,608
Sixteenth section	36,706	(36,706)	44,762	(44,762)
Total expenses	$ 10,857,064	(7,641,392)	11,428,133	(7,751,693)

Net cost of governmental activities, ($7,641,392 and $7,751,693) was financed by general revenue, which is made up primarily of property taxes of $1,542,655 for 2008 and $1,549,692 for 2007, state and federal revenues of $5,929,488 for 2008 and $5,577,914 for 2007 and Sixteenth Section sources of $704,520 for 2008 and $773,716 for 2007.

Investment earnings accounted for $183,372 for 2008 and $35,933 for 2007 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $5,558,395, a decrease of $65,964 from the prior year. $5,479,249 or 98.58% 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 $79,146 or 1.42% 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 $867,201. The fund balance of Other Governmental Funds showed a decrease in the amount of $40,186. The other increase (decrease) in the fund balance for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title 1	No increase or decrease
16th Section Interest	$841,423

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2008, the District's total capital assets were $5,046,648, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of $868,357 from 2007 to 2008 and an increase of $38,099 from 2006 to 2007. Total accumulated depreciation as of June 30, 2008 was $3,112,336 and total depreciation expense for the year was $237,189, resulting in total net assets of $1,934,312.

Table 4
CAPITAL ASSETS

	Capital Assets, Net of Depreciation		Total Percentage Change
	2008	2007	2007-2008
Land	$ 57,128	57,128	
Buildings	390,879	396,676	(1.46%)
Mobile equipment	1,127,309	532,281	111.79%
Furniture and equipment	358,996	171,352	109.51%
Total	$ 1,934,312	1,157,437	67.12%

Debt administration. At June 30, 2008 the District has $60,188 in long-term debt outstanding. In addition, the liability for compensated absences decreased by $18,273 from the prior year.

Table 5
OUTSTANDING LONG-TERM DEBT AT JUNE 30

	Outstanding Long-Term Debt		Total Percentage Change
	2008	2007	2007-2008
Compensated Absences Payable	$ 60,188	78,461	(23%)
Total	$ 60,188	78,461	(23%)

Additional information on the District's long-term debt can be found in Note 5 on page 31.

CURRENT ISSUES

The South Delta School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2007-2008 year decreased by approximately 2% to 1,143 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the South Delta School District, P. O. Box 219, Rolling Fork, MS 39159.

SOUTH DELTA SCHOOL DISTRICT

FINANCIAL STATEMENTS

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Exhibit A

SOUTH DELTA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

		Governmental Activities
Assets		
Cash and cash equivalents	$	5,518,173
Due from other governments		609,264
Inventories		12,773
Capital assets, not being depreciated:		
Land		57,128
Capital assets, net of accumulated depreciation:		
Buildings		390,879
Mobile equipment		1,127,309
Furniture and equipment		358,996
Total Assets	$	8,074,522
Liabilities		
Accounts payable and accrued liabilities	$	443,261
Due to other governments		
Unearned revenue		138,554
Long-term liabilities, due beyond one year:		
Non-capital related		60,188
Total Liabilities	$	642,003
Net Assets		
Invested in capital assets, net of related debt	$	1,934,312
Restricted net assets:		
Expendable:		
School-based activities		4,755,006
Capital improvements		647,044
Forestry improvements		28,084
Unemployment benefits		38,289
Unrestrieted		29,784
Total Net Assets	$	7,432,519

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

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Exhibit B

SOUTH DELTA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

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	$ 5,264,871	91,896	1,428,904		(3,744,071)
Support services	4,685,997		925,702		(3,760,295)
Non-instructional services	869,490	29,407	739,763		(100,320)
Sixteenth section	36,706				(36,706)
Total governmental activities	$ 10,857,064	121,303	3,094,369	0	(7,641,392)
General Revenues:					
Taxes:					
General purpose levies					1,542,655
Unrestricted grants and contributions:					
State					5,297,655
Federal					631,833
Unrestricted investment earnings					183,372
Sixteenth section sources					704,520
Other					10,541
Total general revenues					8,370,576
Change in Net Assets					729,184
Net Assets - Beginning					6,703,335
Net Assets - Ending					$ 7,432,519

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

Exhibit C

SOUTH DELTA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

	Major Funds				
	General Fund	Title I	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 43,686		4,588,110	886,377	5,518,173
Due from other governments	164,155	292,843	2,332	149,934	609,264
Due from other funds	350,995			180,058	531,053
Inventories				12,773	12,773
Total Assets	$ 558,836	292,843	4,590,442	1,229,142	6,671,263
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 15,823	825	2,700	4,730	24,078
Due to other funds	453,043	292,018		205,175	950,236
Unearned revenue			120,000	18,554	138,554
Total Liabilities	468,866	292,843	122,700	228,459	1,112,868
Fund Balances:					
Reserved for:					
Inventory				12,773	12,773
Unemployment benefits				38,289	38,289
Forestry improvement purposes				28,084	28,084
Unreserved:					
Undesignated, reported in:					
General fund	89,970				89,970
Capital Projects funds				647,044	647,044
Special Revenue funds			4,467,742	274,493	4,742,235
Total Fund Balances	89,970	0	4,467,742	1,000,683	5,558,395
Total Liabilities and Fund Balances	$ 558,836	292,843	4,590,442	1,229,142	6,671,263

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

Exhibit C-1

SOUTH DELTA SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

		Amount
Total Fund Balance - Governmental Funds	$	5,558,395
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $3,112,336.		1,934,312
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)		(60,188)
Total Net Assets - Governmental Activities	$	7,432,519

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

Exhibit D

SOUTH DELTA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the year ended June 30, 2008

	Major Funds				
	General Fund	Title I	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 1,646,695			35,556	1,682,251
State sources	5,303,970			370,245	5,674,215
Federal sources	632,833	1,073,340		1,643,469	3,349,642
Sixteenth section sources			878,129	680	878,809
Total Revenues	7,583,498	1,073,340	878,129	2,049,950	11,584,917
Expenditures:					
Instruction	3,424,640	640,422		1,210,420	5,275,482
Support services	4,409,203	370,708		695,944	5,475,855
Non-instructional services	942	44,454		814,549	859,945
Sixteenth section			36,706		36,706
Total Expenditures	7,834,785	1,055,584	36,706	2,720,913	11,647,988
Excess (Deficiency) of Revenues Over Expenditures	(251,287)	17,756	841,423	(670,963)	(63,071)
Other Financing Sources (Uses):					
Insurance loss recoveries	1,331				1,331
Sale of transportation equipment	2,110				2,110
Operating transfers in	24,143			643,498	667,641
Operating transfers out	(643,498)	(17,756)		(6,387)	(667,641)
Total Other Financing Sources (Uses)	(615,914)	(17,756)	0	637,111	3,441
Net Change in Fund Balances	(867,201)	0	841,423	(33,852)	(59,630)

Fund Balances:					
July 1, 2007	957,171		3,626,319	1,040,869	5,624,359
Decrease in reserve for inventory				(6,334)	(6,334)
June 30, 2008	$ 89,970	0	4,467,742	1,000,683	5,558,395

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

Exhibit D-1

SOUTH DELTA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2008

		Amount
Net Change in Fund Balances - Governmental Funds	$	(59,630)
Amounts reported for governmental activities in the statement of activities are different beeause:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to $1,048,311 and the depreciation expenses amounted to $237,189. (Note 4)		811,122
2. 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 decrease		18,273
3. Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.		(34,247)
Proceeds from sale of capital assets 2,110		
Losses on sales of capital assets 32,137		
4. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities.		(6,334)
Change in net assets of governmental activities	$	729,184

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

Exhibit E

SOUTH DELTA SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

		Agency Funds
Assets		
Cash and cash equivalents	$	55,085
Due from other funds		419,183
Total Assets	$	474,268
Liabilities		
Accounts payable and accrued liabilities	$	467,635
Due to student clubs		6,633
Total Liabilities	$	474,268

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

For financial reporting purposes, South Delta School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program

revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

Title I - This is a federal program to supplement classroom teaching efforts.

Sixteenth Section Interest Fund - This fund collects revenue from sixteenth section property and shared revenues from other school districts and pays for expenses for sixteenth section property.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

Club funds - Represent amounts collected by student clubs to be used for club activities.
Student activity funds - Represent amounts held, collected or set aside for these approved activities.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

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

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

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

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

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

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

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

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

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

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets

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

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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

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

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

7. Compensated Absences.

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

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the

fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

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

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

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

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

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

(2) Cash and Cash Equivalents.

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $5,518,173 and $55,085, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents $5,518,173 and restricted assets $-0-. The bank balance was $6,199,720.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balances of $6,199,720 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	Title I	$ 292,018
	Other Governmental Funds	58,977
Other Governmental Funds	General Fund	180,058
Fiduciary Funds	General Fund	272,985
	Other Governmental Funds	146,198
		$ 950,236

The purpose of the more significant loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Transfers In/Out

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	$ 643,498
Title I	General Fund	17,756
Other Governmental Funds	General Fund	6,387
		$ 667,641

Transfers were made to avoid borrowing from outside sources.

(4) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Balance 6-30-2008
Non-depreciable capital assets:				
Land	$ 57,128			57,128
Total non-depreciable capital assets	57,128	0	0	57,128
Depreciable capital assets:				
Buildings	1,610,891			1,610,891
Mobile equipment	1,657,295	747,618	161,897	2,243,016
Furniture and equipment	852,977	300,693	18,057	1,135,613
Total depreciable capital assets	4,121,163	1,048,311	179,954	4,989,520
Less accumulated depreciation for:				
Buildings	1,214,215	5,797		1,220,012
Mobile equipment	1,125,014	136,400	145,707	1,115,707
Furniture and equipment	681,625	94,992		776,617
Total accumulated depreciation	3,020,854	237,189	145,707	3,112,336
Total depreciable capital assets, net	1,100,309	811,122	34,247	1,877,184
Governmental activities capital assets, net	$ 1,157,437	811,122	34,247	1,934,312

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	$ 17,259
Support services	214,890
Non-instructional	5,040
Total depreciation expense	$ 237,189

(5) Long-term liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Balance 6-30-2008	Amounts due within one year
Compensated absences payable	$ 78,461		18,273	60,188	
Total	$ 78,461	0	18,273	60,188	0

Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% 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 $649,725, $701,672, and $610,030, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30		Amount
2009	$	574,522
2010		572,912
2011		494,653
2012		232,543
2013		163,807
2014 - 2018		115,720
2019 - 2023		41,620
2024 - 2028		33,053
2029 - 2033		20,775
Thereafter		22,300
Total	$	2,271,905

(8) Contingencies.

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation.

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

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 up to the statutory amount required by the Mississippi Workers Compensation 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.

On September 30, 2005, some of the members were assessed an additional assessment of $8,101 depending upon their years of membership in the MSBAWCT. The additional assessment has been paid.

(10) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with South Delta School District, nor the South Delta School District itself, filed the list of children as required, no division of sixteenth section revenues has been accrued as the case may be.

Of the townships South Delta School District shares with other school districts, South Delta School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) South Delta School District received on these sections may be due to other school districts. In addition, on the other

townships where another school district controls the sixteenth section property, South Delta School District may be entitled to a portion of the sixteenth section revenues the other school district(s) received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

SOUTH DELTA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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SOUTH DELTA SCHOOL DISTRICT
Budgetary Comparison Schedule
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	$ 1,679,407	1,676,031	1,646,695	(3,376)	(29,336)
State sources	5,367,950	5,303,970	5,303,970	(63,980)	0
Federal sources	597,067	662,833	632,833	65,766	(30,000)
Total Revenues	7,644,424	7,642,834	7,583,498	(1,590)	(59,336)
Expenditures:					
Instruction	3,590,769	3,431,645	3,424,640	159,124	7,005
Support services	4,344,475	4,478,309	4,409,203	(133,834)	69,106
Non-instructional services	200	942	942	(742)	0
Total Expenditures	7,935,444	7,910,896	7,834,785	24,548	76,111
Excess (Deficiency) of Revenues Over Expenditures	(291,020)	(268,062)	(251,287)	22,958	16,775
Other Financing Sources (Uses):					
Insurance loss recoveries		1,331	1,331	1,331	0
Sale of transportation equipment		2,110	2,110	2,110	0
Operating transfers in	1,251,106	1,231,045	24,143	(20,061)	(1,206,902)
Operating transfers out	(934,050)	(979,300)	(643,498)	(45,250)	335,802
Total Other Financing Sources (Uses)	317,056	255,186	(615,914)	(61,870)	(871,100)
Net Change in Fund Balances	26,036	(12,876)	(867,201)	(38,912)	(854,325)
Fund Balances:					
July 1, 2007	957,171	957,171	957,171	0	0
June 30, 2008	$ 983,207	944,295	89,970	(38,912)	(854,325)

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

SOUTH DELTA SCHOOL DISTRICT
Budgetary Comparison Schedule
Title I
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	$			0	0
Federal sources	1,533,762	1,573,953	1,073,340	40,191	(500,613)
Total Revenues	1,533,762	1,573,953	1,073,340	40,191	(500,613)
Expenditures:					
Instruction	803,030	758,640	640,422	44,390	118,218
Support services	655,588	738,145	370,708	(82,557)	367,437
Non-instructional services	56,349	57,600	44,454	(1,251)	13,146
Total Expenditures	1,514,967	1,554,385	1,055,584	(39,418)	498,801
Excess (Deficiency) of Revenues Over Expenditures	18,795	19,568	17,756	773	(1,812)
Other Financing Sources (Uses):					
Operating transfers out	(18,795)	(19,568)	(17,756)	(773)	1,812
Total Other Financing Sources (Uses)	(18,795)	(19,568)	(17,756)	(773)	1,812
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2007				0	0
June 30, 2008	$ 0	0	0	0	0

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

SOUTH DELTA SCHOOL DISTRICT
Budgetary Comparison Schedule
Sixteenth Section Interest 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:					
Sixteen section sources	$ 748,000	998,129	878,129	250,129	(120,000)
Total Revenues	748,000	998,129	878,129	250,129	(120,000)
Expenditures:					
Sixteenth section	47,000	47,400	36,706	(400)	10,694
Total Expenditures	47,000	47,400	36,706	(400)	10,694
Excess (Deficiency) of Revenues Over Expenditures	701,000	950,729	841,423	249,729	(109,306)
Other Financing Sources (Uses):					
Operating transfers out	(800,000)	(800,000)	0	0	800,000
Total Other Financing Sources (Uses)	(800,000)	(800,000)	0	0	800,000
Net Change in Fund Balances	(99,000)	150,729	841,423	249,729	690,694
Fund Balances:					
July 1, 2007	3,626,319	3,626,319	3,626,319	0	0
June 30, 2008	$ 3,527,319	3,777,048	4,467,742	249,729	690,694

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

SOUTH DELTA SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SOUTH DELTA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 201,393
National school lunch program	10.555	472,264
Summer food service program for children	10.559	36,136
Total child nutrition cluster		709,793
Fresh fruit and vegetable program	10.582	40,698
Total U.S. Department of Agriculture		750,491
U.S. Department of Defense		
Direct program		
Reserve Officers' Training Corps	12.XXX	41,298
Total U. S. Department of Defense		41,298
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	527,191
Total Federal Communications Commission		527,191
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,168,083
Career and technical education - basic grants to states	84.048	28,828
Safe and drug-free schools and communities - state grants	84.186	14,121
Eisenhower professional development state grants	84.281	146
State grants for innovative programs	84.298	5,707
Education technology state grants	84.318	19,889
Rural education	84.358	34,149
Improving teacher quality - state grants	84.367	261,763
Grants for state assessments and related activities	84.369	7,345
Total		1,540,031
Special education cluster:		
Special education - grants to states	84.027	359,489
Special education - preschool grants	84.173	19,638
Total special education cluster		379,127
Total passed-through Mississippi Department of Education		1,919,158
Total U.S. Department of Education		1,919,158
U. S. Department of Homeland Security		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grant - Public Assistance (Presidentially declared disaster)	97.036	1,000
Total U.S. Department of Homeland Security		1,000
Total for All Federal Awards		$ 3,239,138

NOTES TO SCHEDULE

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures

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

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

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administrative	Other
Salaries and fringe benefits	$	7,863,450	5,617,637	511,282	588,020	1,146,511
Other		3,784,538	891,754	113,645	10,714	2,768,425
Total	$	11,647,988	6,509,391	624,927	598,734	3,914,936
Total number of students*		1,143				
Cost per student	$	10,191	5,695	547	524	3,425

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

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

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

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

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

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

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

SOUTH DELTA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"Unaudited"

		2008	* 2007	* 2006	* 2005
Revenues:					
Local sources	$	1,682,251	1,750,995	1,723,562	1,836,131
State sources		5,674,215	5,853,469	5,764,972	5,592,314
Federal sources		3,349,642	3,283,433	3,405,267	2,935,547
Sixteenth section sources		878,809	773,716	688,906	530,636
Total Revenues		11,584,917	11,661,613	11,582,707	10,894,628
Expenditures:					
Instruction		5,275,482	5,586,072	5,502,399	4,970,488
Support services		5,475,855	4,862,037	5,266,931	4,713,780
Noninstructional services		859,945	893,259	844,472	844,349
Sixteenth section		36,706	44,762	35,032	48,088
Total Expenditures		11,647,988	11,386,130	11,648,834	10,576,705
Excess (Deficiency) of Revenues over Expenditures		(63,071)	275,483	(66,127)	317,923
Other Financing Sources (Uses):					
Insurance loss recoveries		1,331	27,546	31,151	4,288
Sale of transportation equipment		2,110			2,600
Operating transfers in		667,641	1,527,656	1,112,940	1,035,816
Operating transfers out		(667,641)	(1,527,656)	(1,112,940)	(1,035,816)
Total Other Financing Sources (Uses)		3,441	27,546	31,151	6,888
Net Change in Fund Balances		(59,630)	303,029	(34,976)	324,811
Fund Balances:					
Beginning of Year		5,624,359	5,323,556	5,351,969	5,022,503
Increase (Decrease) in reserve for inventory		(6,334)	(2,226)	6,563	4,655
End of Year	$	5,558,395	5,624,359	5,323,556	5,351,969

* Source - Prior year audit reports

SOUTH DELTA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"Unaudited"

		2,008	* 2007	* 2006	* 2005
Revenues:					
Local sources	$	1,646,695	1,680,484	1,675,453	1,779,083
State sources		5,303,970	5,413,245	5,330,887	5,197,113
Federal sources		632,833	169,733	216,672	158,878
Total Revenues		7,583,498	7,263,462	7,223,012	7,135,074
Expenditures:					
Instruction		3,424,640	3,392,418	3,539,416	3,220,765
Support services		4,409,203	3,452,060	3,576,371	3,532,446
Noninstructional services		942	32		607
Total Expenditures		7,834,785	6,844,510	7,115,787	6,753,818
Excess (Deficiency) of Revenues over Expenditures		(251,287)	418,952	107,225	381,256
Other Financing Sources (Uses):					
Insurance loss recoveries		1,331	27,546	30,750	4,288
Sale of transportation equipment		2,110			2,600
Operating transfers in		24,143	747,607	451,914	385,900
Operating transfers out		(643,498)	(1,127,215)	(1,018,600)	(941,380)
Total Other Financing Sources (Uses)		(615,914)	(352,062)	(535,936)	(548,592)
Net Change in Fund Balances		(867,201)	66,890	(428,711)	(167,336)
Fund Balances:					
Beginning of Year		957,171	890,281	1,318,992	1,486,328
End of Year	$	89,970	957,171	890,281	1,318,992

* Source - Prior year audit reports.

SOUTH DELTA SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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ELLIS & HIRSBERG
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE, AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
South Delta School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2008, which collectively comprise the South Delta School District's basic financial statements and have issued our report thereon dated May 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-1, 2008-2, and 2008-3 to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

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

May 5, 2009

Elliot Heinberg CPA PLLC

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

Superintendent and School Board
South Delta School District

Compliance

We have audited the compliance of the South Delta 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 auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, South Delta 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. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-4.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-4 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-4 to be a material weakness.

South Delta School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit South Delta School District's response and, accordingly, we express no opinion on it.

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

Ellis + Hinberg CPA PLLC

May 5, 2009

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
South Delta School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2008, which collectively comprise South Delta School District's basic financial statements and have issued our report thereon dated May 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $10,764 of classroom supply funds carried over from previous years.

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

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

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

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

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

May 5, 2009

Ellis + Hirsberg CPA PLLC

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SOUTH DELTA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SOUTH DELTA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

4.	Type of auditors' report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Significant deficiency identified that is not considered to be a material weakness?	Yes
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 CFDA # 10.599	
	b. The Schools and Libraries Program of Universal Service Fund CFDA # 32.XXX	
8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	Yes
10.	Prior fiscal year audit finding(s) relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.315(b) of OMB Circular A-133?	No

Section 2: Financial Statement Findings

Significant Findings Not Considered Material Weaknesses:

2008-1 Finding

Criteria: There should be proper segregation of duties so that no one person handles a transaction from start to finish.

Condition: The payroll clerk prepares payroll checks and in the process the computer signs the checks. The payroll clerk stuffs the checks into envelopes and another individual delivers the checks to the school principals. The principals pass out the checks and require the employees to sign for their checks. The business manager reviews withholding reconciliations, etc.

Context: The way the payroll checks are being handled leaves open the possibility of misappropriation.

Effect: Over time, if misappropriation occurs, it can seriously hamper the school district's ability to carry out its mission.

Cause: The superintendent or the superintendent's designee (someone independent of the payroll process) is not reviewing the payroll printout prior to issuing payroll checks.

Recommendation: The superintendent or the superintendent's designee should review the payroll printout prior to issuing payroll checks. This review should be documented by initialing and dating the payroll printout.

2008-2 Finding:

Criteria: There should be proper segregation of duties so no one person handles a transaction from start to finish.

Condition: The business manager receipts all checks except sixteenth section income. The food service supervisor maintains a list of checks received. The business manager also posts receipts to the general ledger, takes the deposit to the bank and reconciles the bank statement.

Context: The way cash receipts are handled leaves open the possibility for improprieties.

Effect: Over time, if improprieties occur, it could have a negative effect on the school district's ability to carry out its mission.

Cause: The superintendent or the superintendent's designee is not reviewing bank reconciliations each month. There is no segregation of duties between preparing receipts, posting the general ledger and taking deposits to the bank.

Recommendation: The superintendent or the superintendent's designee should review bank reconciliations monthly and evidence this review by dating and initialing the review. Someone other than the business manager should go to the bank with the deposit.

2008-3 Finding:

Criteria: The school district's records should be secure and maintain their integrity and recoverability.

Condition: (A) File server recovery and procedures are not tested at least annually to ensure data integrity and recovery. (B) In the business office the server is sitting in the floor in an unsecured area.

Context: Correcting condition (A) above is good business practice to know that your systems are functioning as designed. Condition (B) opens the possibility of loss of records from a variety of sources.

Effect: The loss of records or data from either condition (A) or (B) above could cause the school district to lose time and money attempting to recreate lost documents.

Cause: The management of the school district has not addressed these two items.

Recommendation: The school district should determine the cost versus benefit of correcting this problem.

Section 3: Federal Award Findings

Immaterial Noncompliance and Significant Internal Control Conditions:

2008-4 Finding:

	Name	CFDA #	Grantor/ Pass-through Grantor
Program:	Child Nutrition Cluster	10.553 10.555 10.599	Mississippi Department of Education

Criteria: The school district is required to report monthly the number of meals served in various categories.

Condition: When testing the cost per meal, the meal cost showed a large increase in cost which could not fully be justified. The district acknowledged a possible under counting problem at the elementary school.

Questioned Cost: None

Context: The school district has qualified under provision 2. The district reports total meals. Reimbursement to the district is based on establishing percentages of free and reduced meals.

Effect: Under counting meals will result in under reimbursement of meal cost to the district.

Cause: Cafeteria employees do not appear to be counting correctly the number of students eating meals.

Recommendation: Management needs to establish procedures to insure proper counts of student meals.

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SOUTH DELTA SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

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SOUTH DELTA SCHOOL DISTRICT
Katherine Tankson, Superintendent
P. O. Box 219
Rolling Fork, MS 39159

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315 of OMB Circular A-133, the South Delta School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008.

Finding	Corrective Action Plan Detail	
2008-1	a.	Katherine Tankson
	b.	I will start reviewing the payroll printout prior to releasing the payroll checks.
	c.	The control will be implemented by January 31, 2009.
2008-2	a.	Katherine Tankson
	b.	I will find another person to take the deposit to the bank and I will start reviewing the bank reconciliation.
	c.	These controls will be implemented by January 31, 2009.
2008-3	a.	Katherine Tankson
	b.	We will review this situation and determine the proper course of action.
	c.	A decision on this will be reached by June 30, 2009.
2008-4	a.	Diane Brown, Food Service Supervisor
	b.	We are aware of this situation and the School District has purchased a new computer to assist in getting the counts correct.
	c.	These controls have been implemented.

Signature

Title

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