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SUNFLOWER COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

Robert Britt, CPA, P. A.
Clarksdale, Mississippi

SUNFLOWER COUNTY SCHOOL DISTRICT

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SUNFLOWER COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board
Sunflower County School District

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September, 4, 2009 on my consideration of the Sunflower County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 34 through 36 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

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

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

September, 4, 2009

SUNFLOWER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

Total net assets increased by $ 1,180,007, which represents 34% increase from fiscal year 2007.

General revenues account for $11,305,856 in revenue, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,505,408 or 28% of total revenues.

The District had $14,631,257 in expenses; only $4,505,408 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $11,305,856 and net assets carried over from the prior year were adequate to provide for these programs.

Among major funds, the General Fund had $10,900,729 in revenues and $10,309,103 in expenditures. The General Fund's fund balance increased $545,917 over the prior year. This increase is from sound fiscal management. The 16th Section Interest Fund had $360,451 in revenues and $23,168 in expenditures. The 16th Section Interest Fund's fund balance increased $338,158 over the prior year. This increase is from rents collected being held in the fund instead of transferring the funds to the district's general fund for operations. Discounting unforeseen events the District should remain in sound fiscal condition.

Capital assets, net of accumulated depreciation, increased by $42,632.

Long-term liabilities decreased by $337,041.

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 14-15 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 17 and 19, respectively.

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

The basic governmental fund financial statements can be found on pages 16 and 18, respectively.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 20.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-31 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund that has a legally adopted budget. This required supplementary information can be found on pages 34-36 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 38-39 of this report, a schedule of instructional, administrative and other expenditures - governmental funds as required by the State Department of Education can be found on page 40 and a Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund - Last Four Years, and a Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds - Last Four Years, as required by the Mississippi Department of Education and can be found on pages 42-43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $4,672,149 as of June 30, 2008.

The largest portion of the District's net assets (73.8%) is unrestricted net assets. These unrestricted assets are available for any legal purpose at the discretion of the board.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 compared to the same period in 2007.

	Governmental Activities		Percentage
	2008	2007	Change
Current assets	6,367,813	5,736,961	11.00%
Capital assets, net	3,005,842	2,963,210	1.44%
Total assets	9,373,655	8,700,171	7.74%
Current liabilities	1,349,869	1,519,351	-11.15%
Long-term debt outstanding	3,351,637	3,688,678	-9.14%
Total liabilities	4,701,506	5,208,029	-9.73%
Net assets:			
Invested in capital assets, net of related debt	49,626	(604,790)	108.21%
Restricted	620,947	412,692	50.46%
Unrestricted	4,001,576	3,684,240	8.61%
Total net assets	4,672,149	3,492,142	33.79%

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

The addition of $251,504 in capital assets from the purchasing of buses and equipment

The retirement of $355,000 of long term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2008 were $15,811,264. The total cost of all programs and services was $14,631,257. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 compared to the same period in 2007.

	Governmental Activities		Percent
	2008	2,007	Change
Revenues:			
Program revenues			
Charges for services	316,371	407,936	-22.45%
Operating Grants and contributions	4,189,037	4,522,706	-7.38%

General Revenues			
Property taxes	2,564,477	2,378,345	7.83%
Grants and contributions not restricted	8,281,949	8,106,208	2.17%
Other	459,430	390,833	17.55%
Total revenues	15,811,264	15,806,028	0.03%
Expenses:			
Instruction	8,254,931	8,004,995	3.12%
Support services	4,955,921	5,057,834	-2.01%
Non-instructional	1,243,669	1,073,360	15.87%
16th Section	23,168	31,434	-26.30%
Interest on long-term obligations	153,568	186,168	-17.51%
Total Expenses	14,631,257	14,353,791	1.93%
Increase (Decrease) in net assets	1,180,007	1,452,237	-18.75%
Net Assets - July 1	3,492,142	2,039,905	71.19%
Net Assets June 30	4,672,149	3,492,142	33.79%

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

	2008	2007	Change	2008	2007	Change
Instruction	8,254,931	8,004,995	3.12%	(6,252,660)	(5,761,781)	8.52%
Support services/	4,955,921	5,057,834	-2.01%	(3,903,751)	(3,845,447)	1.52%
Non-instructional	1,243,669	1,073,360	15.87%	(114,568)	79,815	-243.54%
16th Section	23,168	31,434	-26.30%	(23,168)	(31,434)	-26.30%
Interest on long-term obligations	153,568	186,168	-17.51%	168,298	135,698	24.02%
	14,631,257	14,353,791	1.93%	(10,125,849)	(9,423,149)	7.46%

Net cost of governmental activities $10,125,849, was financed by general revenue, which is made up of primarily property taxes $2,564,477, state revenue $8,238,405, and federal revenue $43,544.

Investment earnings accounted for $58,117 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 $5,081,007, an increase of $791,729 due primarily to sound fiscal management. $4,588,859 or 90% 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 $492,148 or 10% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $ 545,917 due primarily to sound fiscal management. The 16th Section Interest Fund had an increase in fund balance of $338,158 because the board chose to leave rents collected in the fund for future needs instead of transferring them to the general fund. The fund balance of Other Governmental Funds showed an decrease of $92,346 due primarily to funds retirement of long term debt.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

Budget amounts for revenue in the general fund were increased slightly from those originally budgeted. Expenditures were increased or reduced to match actual expenditures. Budgeted amounts for revenue and expenditures in the 16th Section Interest Fund were adjusted to actual amounts received or expended. In other governmental funds expenditures and revenue was adjusted to actual amounts.

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 $7,095,547, including land, school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of $114,647 from the previous year due primarily to the purchase of buses and other equipment. Total accumulated depreciation as of June 30, 2008 was $4,089,705 and total depreciation expense for the year was $203,111, resulting in total net assets of $3,005,842.

	Capital Assets Net of Depreciation		Percentage
	2008	2007	Change
Land	86,550	86,550	0.00%
Buildings	2,180,170	2,431,574	-10.34%
Building improvements	187,461	0	100.00%
Improvements other than buildings	31,642	33,149	-4.55%
Mobile equipment	494,012	373,221	32.36%
Furniture and equipment	26,007	38,716	-32.83%
Total	3,005,842	2,963,210	1.44%

Additional information of the District's capital assets can be found in Note 5 on page 28 of this report.

Debt Administration. At June 30, 2008, the District had $3,351,637 in general obligation bonds and other long-term debt outstanding, of which $315,000 is due within one year.

The District maintains a AA bond rating.

	Outstanding Debt		Percentage
	2008	2007	Change
Limited obligation bonds payable	$2,520,000	$2,715,000	-7.18%
Three mill notes payable	$693,000	$853,000	-18.76%
Compensated absences payable	$138,637	$120,678	14.88%
Total	$3,351,637	$3,688,678	-9.14%

Additional information of the District's long-term debt can be found in Note 6 on pages 29 and 30 of this report.

CURRENT ISSUES

The Sunflower County School District is financially stable. The District is proud of its community support of the public schools.

The District is now committed to financial excellence. The millage has remained fairly constant over the last few years and no major increase is expected in the future. In addition, the district's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will decrease by approximately 40 students. The budget for the next fiscal year has taken this into account in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Sunflower County School District, P. O. Box 70, Indianola, MS 38751.

SUNFLOWER COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2008

		Governmental Activities
Assets		
Cash and cash equivalents (Note 2)	$	5,573,280
Investments (Note 2)		81,054
Due from other governments		502,975
Other receivables, net		188,734
Inventories		5,938
Restricted assets (Note 4)		15,832
Capital assets- non depreciable(Note 5)		
Land		86,550
Capital assets net of accumulated depreciation (Note 5)		
Buildings		2,180,170
Building improvements		187,461
Improvements other than buildings		31,642
Mobile equipment		494,012
Furniture and equipment		26,007
Total Assets	$	9,373,655
Liabilities		
Accounts payable and accrued liabilities	$	1,160,868
Interest payable on long-term liabilities		63,063
Unearned revenue		125,938
Long-term liabilities, due within one year (Note 6)		
Capital related liabilities		315,000
Long-term liabilities, due beyond one year (Note 6)		
Capital related liabilities		2,898,000
Non-capital related liabilities		138,637
Total Liabilities	$	4,701,506
Net Assets		
Invested in capital assets, net of related debt	$	(207,158)
Restricted net assets:		
Expendable:		
School based activities		1,109,311
Debt service		256,784
Unemployment benefits		50,531
Nonexpendable		
Sixteenth section		15,832
Unrestricted		3,446,849
Total Net Assets	$	4,672,149

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense, Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:				
Instruction	$ 8,254,931	253,392	1,748,879	(6,252,660)
Support services	4,955,921	13,778	1,038,392	(3,903,751)
Non-instructional	1,243,669	49,201	1,079,900	(114,568)
16th Section	23,168			(23,168)
Interest on long-term liabilities	153,568		321,866	168,298
Total governmental activities	$ 14,631,257	316,371	4,189,037	(10,125,849)

Taxes:	
General purpose levies	2,385,854
Debt purpose levies	178,623
Unrestricted grants and contributions:	
State	8,238,405
Federal	43,544
Unrestricted investment earnings	58,117
Sixteenth section sources	353,213
Insurance loss recovery	24,073
Other	24,027
Total General Revenues	11,305,856
Change in Net Assets	1,180,007
Net Assets - Beginning	3,492,142
Net Assets - Ending	$ 4,672,149

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2008

		Major Funds			
		General Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Note 2)	$	3,832,689	801,364	939,394	5,573,447
Investments				96,719	96,719
Due from other governments		117,604		385,371	502,975
Other receivables, net		4,318			4,318
Due from other funds (Note 3)		458,541		109,862	568,403
Advances to other funds		100,000			100,000
Inventories				5,938	5,938
Total Assets	$	4,513,152	801,364	1,537,284	6,851,800
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$	822,074	26,790	312,004	1,160,868
Due to other funds (Note 3)		105,592		378,395	483,987
Unearned Revenue				125,938	125,938
Total Liabilities		927,666	26,790	816,337	1,770,793
Fund Balances:					
Reserved for:					
Advances		100,000			100,000
Inventory				5,938	5,938
Debt service				319,847	319,847
Unemployment benefits				50,531	50,531
Permanent fund purposes				15,832	15,832
Unreserved:					
Undesignated, reported in:					
General fund		3,485,486			3,485,486
Special Revenue funds			774,574	328,799	1,103,373
Total Fund Balances		3,585,486	774,574	720,947	5,081,007
Total Liabilities and Fund Balances	$	4,513,152	801,364	1,537,284	6,851,800

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

		Amount
Total Fund Balance - Governmental Funds	$	5,081,007
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $ 4,089,705. (Note 5)		3,005,842
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)		(3,351,637)
3. Interest accrued on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.		(63,063)
Total Net Assets - Governmental Activities	$	4,672,149

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

	Major Funds			
	General Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	$ 2,618,780	7,237	242,416	2,868,433
State sources	8,238,405		651,745	8,890,150
Federal sources	43,544		3,630,975	3,674,519
Sixteenth section sources		353,214	875	354,089
Total Revenues	10,900,729	360,451	4,526,011	15,787,191
Expenditures:				
Instruction	6,364,727		1,794,815	8,159,542
Support services	3,944,376		1,151,614	5,095,990
Non instructional services			1,227,213	1,227,213
16th Section		23,168		23,168
Debt service:				
Principal			355,000	355,000
Interest			162,173	162,173
Total Expenditures	10,309,103	23,168	4,690,815	15,023,086
Excess (Deficiency) of Revenues Over Expenditures	591,626	337,283	(164,804)	764,105
Other Financing Sources (Uses):				
Insurance loss recovery	29,834			29,834
Operating transfers in (Note 3)	123,522	875	199,065	323,462
Operating transfers out (Note 3)	(199,065)		(124,397)	(323,462)
Total Other Financing Sources (Uses)	(45,709)	875	74,668	29,834
Net Change in Fund Balances	545,917	338,158	(90,136)	793,939
Fund Balances:				
July 1, 2007	3,039,569	436,416	813,293	4,289,278
Decrease in reserve for inventory			(2,210)	(2,210)
June 30, 2008	$ 3,585,486	774,574	720,947	5,081,007

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit D-1

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	$	793,939
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to $251,504 and the depreciation expense amounted to $203,111. (Note 5)		48,393
2. Increase in Compensated absences is not recorded in the governmental funds, but increases expense in the statement of activity. (Note 6)		(17,959)
3. Payment of interest on long-term liabilities is reported as an expenditure when paid in the governmental funds, but is accrued and expensed in the period incurred in the statement of activity. (Note 6)		8,605
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 6)		355,000
5. Amounts received from disposition of assets is reported as revenue in the governmental funds, but are reduced by the net value of the assets in the in the statement of activity.		(5,761)
6. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are increased in the statement of activity.		(2,210)
Change in Net Assets of Governmental Activities	$	1,180,007

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Exhibit E

Statement of Fiduciary Assets and Liabilities

June 30, 2008

		Agency Funds
Assets		
Cash and cash equivalents (Note 2)	$	186,690
Total Assets	$	186,690
Liabilities		
Due to student clubs		2,274
Due to other funds (Note 3)		84,416
Advances from other funds		100,000
Total Liabilities	$	186,690

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 (5) member board of which each member was elected by the citizens of each defined county district.

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

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

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

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.

16th Section Interest Fund - This fund accounts for revenues collected on 16th Section land and investments, and related 16th Section expenditures. Excess funds can be transferred to the General Fund by an order of the Board of Education.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL 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.

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

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

FIDUCIARY FUNDS

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.

Student Club Funds - This fund accounts for amounts collected by or from students of the school district for specific functions as defined by the club. Assets equal liabilities.

Payroll and Accounts Payable Clearing Funds - These funds are used to handle the transfer of cash to vendors and employees. Assets equal liabilities.

C. Measurement Focus and Basis of Accounting.

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as

revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

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

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

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

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

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

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

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is 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, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments are reported at fair market value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the cost 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 or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

Capital acquisitions 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
Buildings improvements	$25,000	20 years
Improvements other than buildings	$25,000	20 years
Mobile equipment	$ 5,000	5-10 years
Furniture and equipment	$ 5,000	3-7 years
Leased property under capital leases	$ *	*

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

7. Compensated Absences.

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

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

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

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

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

9. Fund equity.

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

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

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

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

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

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

G. Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) Cash and Cash Equivalents and Investments.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for school district deposits in financial institutions are 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 a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $5,573,447 and $186,690, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents $5,573,280 and Restricted assets $167. The bank balance was $6,464,226.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of $6,464,226 was exposed to custodial credit risk.

Investments.

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

InvestmentType	Maturities	Fair Value	Rating
Hancock Horrizon Treasury Money Market Mutual Fund	Less than 1 year	$39,016	None
Planters Bank Certificate of Deposit Unemployment Compensation Fund	07/15/2008	$42,038	None

Planters Bank Certificate of Deposit 16th Section Interest Fund	09/25/2008	$15,665	None
Total Investments		$96,719	

Investments are reported in the government-wide financial statements as Investments $ 81,054 and Restricted Assets $15,665.

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit Risk. As of June 30, 2008, the district did not have any investments to which this would apply

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

(3) Interfund Transactions.

The following is a summary of interfund transactions:

A. Due From/To Other Funds:

Due From/To Other Funds:	Due From	Due to
Governmental Funds		
General Fund	458,541	105,592
Other Governmental Funds	109,862	378,395
Fiduciary Funds		84,416
Total	$568,403	$568,403

Interfund loans are necessary to provide cash to reimbursable prgrams at year end, since the actual cash is not received until after June 30.

B. Advances To/From Other Funds:

Advances To/From Other Funds:	Advanves to	Advances From
Governmental Funds		
General Fund	100,000	
Fiduciary Funds		100,000
Total	$100,000	$100,000

Advances were made to clearing funds to maintain minimum balances to earn interest on accounts.

C. Transfers In/Out:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	123,522	199,065
16th Section Interest Fund	875	
Other Governmental Funds	199,065	124,397
Total	323,462	323,462

Transfers were made from federal funds for indirect costs. Also, transfers were made from the General Fund to other governmental funds to offset program cost which were not reimbursed by state or federal funds.

(4) Restricted Assets

The restricted assets represent cash and cash equivalents balance, totaling $167 and the investment balance, totaling $15,665 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

(5) Capital Assets.

The following is a summary of changes in capital assets:

	Balance 07/01/2007	Additions	Deletions	Adjustments	Balance 06/30/2008
Land	86,550				86,550
	86,550	0	0	0	86,550
Buildings	4,996,720			(220,558)	4,776,162
Building improvements				220,558	220,558
Improvements other than buildin	37,669				37,669
Mobile equipment	1,433,043	204,884	128,471		1,509,456
Furniture and equipment	426,918	46,620	8,386		465,152
Total dwpreciable assets	6,894,350	251,504	136,857	0	7,008,997
Less accumulated depreciation for:					
Buildings	2,565,146	55,135		(24,289)	2,595,992
Building improvements		8,808		24,289	33,097
Improvements other than buildin	4,520	1,507			6,027
Mobile equipment	1,059,822	78,412	122,790		1,015,444
Furniture and equipment	388,202	59,249	8,306		439,145
Total accumulated depreciation	4,017,690	203,111	131,096	0	4,089,705
Net depreciable assets	2,876,660	48,393	5,761	0	2,919,292
Governmental activities eapital assets net	2,963,210	48,393	5,761	0	3,005,842

Depreciation was charged to the following functions:

	Amount
Instruction	77,430
Support services	111,435
Non-instructional	14,246
Total depreciation expense	203,111

The adjustments listed are to reclassify roofing projects which were included in buildings..

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

(6) Long-term liabilities.

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

	Balance 07/01/2007	Additions	Reductions	Balance 06/30/2008	Due within one year
A. Limited obligation bonds payable	2,715,000		195,000	2,520,000	205,000
B. Three mill notes payable	853,000		160,000	693,000	110,000
C. Compensated absences payable	120,678	17,959		138,637	0
Total	$3,688,678	$17,959	$355,000	$3,351,637	$315,000

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement Bonds, Series 1998	4.60-5.70%	3/1/98	3/1/18	$3,890,000	$2,520,000

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

Year Ending June 30,	Principal	Intereat	Total
2009	205,000	115,275	320,275
2010	215,000	106,050	321,050
2011	225,000	96,375	321,375
2012	235,000	86,250	321,250
2013	245,000	75,440	320,440
2014 - 2018	1,395,000	198,260	1,593,260
Total	2,520,000	677,650	3,197,650

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

B. Three mill-ten year notes payable.

Debt currently outstanding is as follows:

	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Sunflower County School District Limited Tax Notes Series 2001	4.95%	5/11/2001	5/11/2011	$500,000	$297,000
2. Sunflower County School District Limited Tax Notes Series 2004	4.125%	8/27/2004	8/27/2014	$600,000	$396,000

Details of the district's June 30 2009 limited obligation bonded indebtedness are as follows:

1. Three mill notes payable issued May 11 , 2001

Year Ending June 30,

	Principal	Intereat	Total
2008	103,000	14,667	117,667
2009	95,000	9,999	104,999
2010	99,000	5,099	104,099
Total	297,000	29,765	326,765

This Debt will be retired from the Moorhead Middle School Cafeteria Debt Service Fund.

2. Three mill notes payable issued August 27, 2004

Year Ending June 30,

	Principal	Intereat	Total
2009	7,000	16,370	23,370
2010	6,000	16,046	22,046
2011	8,000	15,798	23,798
2012	10,000	15,469	25,469
2013	117,000	15,056	132,056
2014 - 2018	248,000	15,428	263,428
Total	396,000	94,167	490,167

This Debt will be retired from the 2004 School Improvement Debt Service Fund.

Total three mill notes payable for all issues:

Year Ending June 30,

	Principal	Intereat	Total
2009	110,000	31,037	141,037
2010	101,000	26,045	127,045
2011	107,000	20,897	127,897
2012	10,000	15,469	25,469
2013	117,000	15,056	132,056
2014 - 2018	248,000	15,428	263,428
Total	693,000	123,932	816,932

C. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 the school district is required to contribute at an actuarially determined rate. The employer's rate for 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were $936,316, $845,538 and $623,431, respectively, which equaled the required contribution for each year.

(8) Sixteenth Section Lands.

Sixteenth section 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,	
2009	141,135
2010	134,328
2011	95,472
2012	1,070
2013	1,070
2014 - 2018	1,563
Total	374,638

(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 years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to

pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie School District, Coahoma County School District, Drew School District, North Bolivar School District, Quitman County School District, Mound Bayou School District, Coahoma Agricultural High School District. and Sunflower County School District.

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule 1

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	$ 2,562,104	2,593,977	2,618,780	31,873	24,803
State sources	8,661,243	8,238,405	8,238,405	(422,838)	0
Federal sources	0	0	43,544	0	43,544
Total Revenues	11,223,347	10,832,382	10,900,729	(390,965)	68,347
Expenditures:					
Instruction	6,615,570	6,364,726	6,364,727	250,844	(1)
Support services	2,971,097	3,875,334	3,944,376	(904,237)	(69,042)
Total Expenditures	9,586,667	10,240,060	10,309,103	(653,393)	(69,043)
Excess (Deficiency) of Revenues Over Expenditures	1,636,680	592,322	591,626	(1,044,358)	(696)
Other Financing Sources (Uses):					
Insurance loss recovery		29,834	29,834	29,834	0
Sale of other property	500	0	0	(500)	0
Operating transfers in (Note 3)	176,573	123,522	123,522	(53,051)	0
Operating transfers out (Note 3)	(307,595)	(199,065)	(199,065)	108,530	0
Total Other Financing Sources (Uses)	(130,522)	(45,709)	(45,709)	84,813	0
Net Change in Fund Balances	1,506,158	546,613	545,917	(959,545)	(696)
Fund Balances:					
July 1, 2007	3,039,569	3,039,569	3,039,569	0	0
June 30, 2008	4,545,727	3,586,182	3,585,486	(959,545)	(696)

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

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule 2

Budgetary Comparison Schedule

16th Section Interest Fund

June 30, 2008

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 2,000	7,237	7,237	5,237	0
Sixteenth section sources	247,806	353,214	353,214	105,408	0
Total Revenues	249,806	360,451	360,451	110,645	0
Expenditures:					
16th Section	42,300	23,168	23,168	19,132	0
Total Expenditures	42,300	23,168	23,168	19,132	0
Excess (Deficiency) of Revenues Over Expenditures	207,506	337,283	337,283	129,777	0
Other Financing Sources (Uses):					
Operating transfers in (Note 3)		875	875	875	0
Operating transfers out (Note 3)	(200,000)	0	0	200,000	0
Total Other Financing Sources (Uses)	(200,000)	875	875	200,875	0
Net Change in Fund Balances	7,506	338,158	338,158	330,652	0
Fund Balances:					
July 1, 2007	436,416	436,416	436,416	0	0
June 30, 2008	443,922	774,574	774,574	330,652	0

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

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

Notes to the Required Supplementary Information

(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 15th. 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.

SUNFLOWER COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Schedule 3

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	280,539
National School Lunch Program	10.555	670,138
Total Nutrition Cluster		950,677
Child and adult care food program	10.558	5,692
Total Passed through Mississippi Department of Education		956,369
Total U.S. Department of Agriculture		956,369
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	43,544
Total Federal Communication Commission		43,544
U.S. Department of Education		
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education grants to state	84.027	477,853
Special education - preschool grants	84.173	10,188
Total Special Education Cluster		488,041
Title 1 grants to local educational agencies	84.010	1,342,879
Safe and drug free schools and communities- state grants	84.186	20,651
Twenty-First Century Community Learning Centers	84.287	62,864
State Grants for Innovative Programs	84.298	50,246
Education technology state grants	84.318	15,733
Rural education	84.358	178,927
Reading First State Grants	84.357	212,922
Improving teacher quality - state grants	84.367	182,807
Grants for State Assessments and Related Activities	84.369	8,177
Total Passed through Mississippi Department of Education		2,563,247
Total U.S. Department of Education		2,563,247

U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Health and Human Services:		
Medical assistance program	93.778	21,501
Total Passed through Mississippi Department of Health and Human Services		21,501
Passed through Mississippi Department of Education		
Medical assistance program	93.778	32,037
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	660
Total Passed through Mississippi Department of Education		32,697
Total U.S. Department of Health and Human Services		54,198
Total for All Federal Awards		3,617,358

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the significant accounting policies, as applicable, used for the financial statements

2. The expenditure amounts include transfers out.

SUNFLOWER COUNTY LINE SCHOOL DISTRICT

Schedule 4

Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds

For the Year Ended June 30, 2008

Functions/Programs	Total	Instructional and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 11,208,108	$ 8,328,616	$ 577,349	714,482	$ 1,587,661
Other expenditures	3,814,978	1,284,361	227,606	15,648	2,287,363
Total	$ 15,023,086	$ 9,612,977	$ 804,955	730,130	$ 3,875,024
Total number of students:	1,646				
Cost per student:	$ 9,127	$ 5,840	$ 489	444	$ 2,354

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

Instruction - includes the aetivities dealing direetly with the interaction between teaehers and students. Included here are the activities of teachers, teacher's aides or classroom assistants of any type - all the 1000, 2100, & 2200 functional codes

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

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

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule 5

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

"UNAUDITED"

Last Four years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	$ 2,618,780	2,629,432	2,453,774	2,233,939
State sources	8,238,405	7,949,415	7,628,048	7,521,930
Federal sources	43,544	156,793	163,409	128,563
Total Revenues	10,900,729	10,735,640	10,245,231	9,884,432
Expenditures:				
Instruction	6,364,727	6,026,237	6,108,806	5,689,443
Support services	3,944,376	3,676,473	3,389,557	3,295,812
Non instructional services	0		1,120	
Debt service:				
Interest	0			12,254
Total Expenditures	10,309,103	9,702,710	9,499,483	8,997,509
Excess (Deficiency) of Revenues Over Expenditures	591,626	1,032,930	745,748	886,923
Other Financing Sources (Uses):				
Insurance loss recovery	29,834		13,320	
Sale of other property		750	1,110	560
Operating transfers in	123,522	116,433	264,296	204,887
Operating transfers out	(199,065)	(199,437)	(246,946)	(233,551)
Total Other Financing Sources (Uses)	(45,709)	(82,254)	31,780	(28,104)
Net Change in Fund Balances	545,917	950,676	777,528	858,819
Fund Balances:				
Beginning of year	3,039,569	2,088,893	1,311,365	452,546
End of year	$ 3,585,486	3,039,569	2,088,893	1,311,365

* SOURCE - PRIOR YEAR AUDIT REPORTS

SUNFLOWER COUNTY SCHOOL DISTRICT

Schedule 6

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

"UNAUDITED"

Last Four years

		2008	2007*	2006*	2005*
Revenues:					
Local sources	$	2,868,433	2,842,653	2,663,337	2,477,157
State sources		8,890,150	8,515,082	8,164,322	8,309,105
Federal sources		3,674,519	4,113,832	4,025,190	3,990,366
Sixteenth section sources		354,089	333,741	227,392	297,853
Total Revenues		15,787,191	15,805,308	15,080,241	15,074,481
Expenditures:					
Instruction		8,159,542	7,932,164	8,086,848	7,549,970
Support services		5,095,990	5,036,182	4,855,234	5,099,474
Non instructional services		1,227,213	1,065,621	956,187	984,756
16th Section		23,168	31,434	87,027	108,421
Facilities acquisition & construction		0	0	772	316,661
Debt service:					
Principal		355,000	397,000	318,000	287,670
Interest		162,173	199,768	186,005	191,669
Total Expenditures		15,023,086	14,662,169	14,490,073	14,538,621
Excess (Deficiency) of Revenues Over Expenditures		764,105	1,143,139	590,168	535,860
Other Financing Sources (Uses):					
Proceeds of loans				49,000	551,000
Insurance loss recovery		29,834		13,320	
Sale of other property			780	1,210	560
Operating transfers in		323,462	466,373	571,379	495,038
Operating transfers out		(323,462)	(466,373)	(571,379)	(495,038)
Total Other Financing Sources (Uses)		29,834	780	63,530	551,560
Net Change in Fund Balances		793,939	1,143,919	653,698	1,087,420
Fund Balances:					
Beginning of year		4,289,278	3,143,073	2,486,760	1,406,543
Increase (decrease) in reserve for inventory		(2,210)	2,286	2,615	(7,203)
End of year	$	5,081,007	4,289,278	3,143,073	2,486,760

* SOURCE - PRIOR YEAR AUDIT REPORTS

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SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Sunflower County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sunflower County School District as of and for the year ended June 30, 2008, which collectively comprise the Sunflower County School District's basic financial statements and have issued my report thereon dated September 4, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

My consideration of the internal control over financial reporting was for the limited purpose describe in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses.

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

Compliance and other matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

September 4, 2009

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Sunflower County School District

Compliance

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

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

In my opinion, the Sunflower County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Sunflower County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with the

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

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

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

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

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

September 4, 2009

SUNFLOWER COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Sunflower County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sunflower County School District as of and for the year ended June 30, 2008, which collectively comprise Sunflower county School District's basic financial statements and have issued my report thereon dated September 4, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $ 31,926 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 my 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 in appropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and my 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.

September 4, 2009

SUNFLOWER COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SUNFLOWER COUNTY SCHOOL DISTRICT

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

Section 1: Summary of Auditor's results

Financial Statements:

1. Type of auditor's report issued on the financial statements:	Unqualified
2. Material noncompliance relating to the financial statements?	No
3. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported

Federal Awards:

4. Type of auditor's opinion issues on compliance for major programs:	Unqualified
5. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
6. Any audit finding(s) reported as required by Section ___.510(a) of Circular A-133?	No

7. The major programs were:

Child Nutrition Cluster	
School Breakfast Program	- CFDA 10.553
National School Lunch Program	- CFDA 10.555
Special Education Cluster	
Special Education - Grants to States	- CFDA 84.027
Special Education - Preschool Grants	- CFDA 84.173
Title I Grants to Local Educational Agencies	- CFDA 84.010

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

Section 2: Findings Related to the Financial Statements

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

Section 3: Findings and Questioned Cost for Federal Awards

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