



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

WILKINSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

Presented by:
Dribben & Associates, Ltd.
Albert F. Dribben, CPA
P. O. Box 1411
113 North Broadway Avenue
McComb, MS 39649-1411



WILKINSON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| FINANCIAL AUDIT REPORT | 5 |
| Independent Auditor's Report on the Basic Financial Statements and Supplemental Information | 7 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 9 |
| Management's Discussion and Analysis | 11 |
| FINANCIAL STATEMENTS | 19 |
| Statement of Net Assets | 21 |
| Statement of Activities | 22 |
| Balance Sheet- Governmental Funds | 23 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets | 24 |
| Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds | 25 |
| Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 26 |
| Statement of Fiduciary Assets & Liabilities | 27 |
| Notes to the Financial Statements | 29 |
| REQUIRED SUPPLEMENTAL INFORMATION | 47 |
| Budgetary Comparison Schedule – General Fund | 49 |
| Budgetary Comparison Schedule –16 th Section Interest Fund | 50 |
| Notes to the Required Supplemental Information | 51 |
| SUPPLEMENTAL INFORMATION | 53 |
| Schedule of Expenditure of Federal Awards | 55 |
| Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds | 56 |
| OTHER SUPPLEMENTAL INFORMATION | 57 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – Four Year Comparison | 59 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds – Four Year Comparison | 60 |
| REPORTS ON INTERNAL CONTROL AND COMPLIANCE | 61 |
| 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 <i>Government Auditing Standards</i> | 63 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 65 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS | 67 |
| Independent Auditor's Report on Compliance with State Laws and Regulations | 69 |

WILKINSON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS CONTINUED

| | |
|---|----|
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 71 |
| Schedule of Findings and Questioned Costs | 73 |
| AUDITEE'S CORRECTIVE ACTION PLAN..... | 75 |
| Auditee's Corrective Action Plan | 77 |

WILKINSON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

WILKINSON COUNTY SCHOOL DISTRICT

(This page was left blank intentionally)

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

March 17, 2009

Superintendent and School Board
Wilkinson County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of the Wilkinson County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 11 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 49 through 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

7

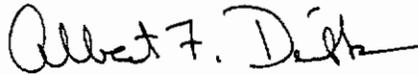
Al Dribben, CPA

P.O. Box 1411 113 North Broadway McComb MS 39649
601-684-4819 Phone 601-684-4818 Fax 1-888-299-4829 MS Toll Free email dribbencpa@cableone.net

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

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

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben".

Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

WILKINSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

WILKINSON COUNTY SCHOOL DISTRICT

(This page was left blank intentionally)

*WILKINSON COUNTY SCHOOL DISTRICT
Timothy T. Scott, Superintendent of Education
POST OFFICE BOX 785
WOODVILLE, MS 39669
601-888-3582*

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of the Wilkinson 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$339,558, which represents a 4% increase from fiscal year 2007. This increase in net assets is mainly due to sixteenth section sources generated during the fiscal year primarily from the sale of timber, sixteenth section leases and earnings on sixteenth section investments.
- General revenues accounted for \$9,853,392 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,000,908, or 23% of total revenues.
- The District had \$12,509,342 in expenses; only \$3,000,908 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,853,392 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,695,571 in revenues and \$8,737,159 in expenditures. After net other financing sources of \$66,233, the net change in fund balance for the General Fund was an increase of \$24,645 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$322,274 due primarily to the current year depreciation of the capital assets.
- Long-term debt decreased by \$232,398 due primarily to principal payments made during the fiscal year on existing long-term debt.

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 are comprised of 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.

Management's Discussion and Analysis
For the Year Ended June 30, 2008

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

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

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

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The

Management's Discussion and Analysis
For the Year Ended June 30, 2008

accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

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

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

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133, a schedule of instructional, administrative and other expenditures for governmental funds, a schedule of revenues, expenditures, and change in fund balance – general fund for the last four years, and a schedule of revenues, expenditures, and change in fund balance – other government funds for the last four years are also included in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,011,493 as of June 30, 2008.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$3,323,039 of the District's net assets (34 %) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$6,341,611 of the District's net assets (63 %) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$346,843 of the District's net assets (3 %) reflects its unrestricted net assets.

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

Management's Discussion and Analysis
For the Year Ended June 30, 2008

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

| | Net Assets | | Percentage Change |
|--|----------------------|---------------------|----------------------|
| | June 30, 2008 | June 30, 2007 | |
| Current assets | \$ 5,032,102 | \$ 4,763,526 | 5.6 |
| Other assets | 1,808,441 | 1,599,988 | 13.0 |
| Capital assets, net | 7,128,039 | 7,450,313 | -4.3 |
| Total assets | 13,968,582 | 13,813,827 | 1.1 |
| Current liabilities | 80,979 | 33,384 | 142.6 |
| Long-term debt outstanding | 3,876,110 | 4,108,508 | -5.7 |
| Total liabilities | 3,957,089 | 4,141,892 | -4.5 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 3,323,039 | 3,467,687 | -4.2 |
| Restricted | 6,341,611 | 5,873,977 | 8.0 |
| Unrestricted | 346,843 | 330,271 | 5.0 |
| Total net assets | \$ 10,011,493 | \$ 9,671,935 | 3.5 |

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents.
- Other assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents in the 16th Section Principal Fund and cash with fiscal agent in the MAEP Retirement Fund and the QZAB Debt Retirement Funds. These funds are legally restricted and may not be used for purposes that support the District's programs. Therefore, these amounts are reported as other (restricted) assets in the government-wide financial statements.
- Capital assets decreased from the previous fiscal year due primarily to the current year depreciation of the capital assets.
- Current liabilities increased from the previous fiscal year due primarily to an increase in accounts payable and accrued liabilities and unearned (deferred) revenue.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities and debt service.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$12,854,300. The total cost of all programs and services was \$12,509,342. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

Management's Discussion and Analysis
For the Year Ended June 30, 2008

| | Change in Net Assets | | Percent of Change |
|--|----------------------|---------------------|----------------------|
| | June 30, 2008 | June 30, 2007 | |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 303,699 | \$ 282,721 | 7.4 |
| Operating grants and contributions | 2,697,209 | 2,898,447 | -6.9 |
| General revenues: | | | |
| Property taxes | 1,802,657 | 1,770,444 | 1.8 |
| Grants and contributions not restricted | 7,085,590 | 7,110,428 | -0.3 |
| Other | 965,145 | 805,783 | 19.8 |
| Total revenues | 12,854,300 | 12,867,823 | -0.1 |
| Expenses: | | | |
| Instruction | 6,876,208 | 6,602,780 | 4.1 |
| Support services | 4,436,400 | 4,509,972 | -1.6 |
| Non-instructional | 1,014,094 | 934,489 | 8.5 |
| Sixteenth section | 65,325 | 48,496 | 34.7 |
| Interest and other expenses on long-term liabilities | 117,315 | 134,192 | -12.6 |
| Total expenses | 12,509,342 | 12,229,929 | 2.3 |
| Increase in net assets | 344,958 | 637,894 | -45.9 |
| Net Assets, July 1 | 9,671,935 | 9,087,543 | 6.4 |
| Prior Period Adjustments | (5,400) | (53,502) | -89.9 |
| Net Assets, Restated, July 1 | 9,666,535 | 9,034,041 | 7.0 |
| Net Assets, June 30 | \$ 10,011,493 | \$ 9,671,935 | 3.5 |

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

- Program revenues decreased from the previous fiscal year due primarily to a decrease in operating grants and contributions.
- General revenues increased from the previous fiscal year due primarily to an increase in sixteenth section sources.
- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits of District employees and an increase in the cost of insurance.

Management's Discussion and Analysis
For the Year Ended June 30, 2008

Governmental activities. The following table presents, for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses 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 | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Total Expenses | Net (Expense) Revenue | Total Expenses | Net (Expense) Revenue |
| Instruction | \$ 6,876,208 | (5,857,049) | \$ 6,602,780 | (5,545,757) |
| Support services | 4,436,400 | (3,336,364) | 4,509,972 | (3,281,869) |
| Non-instructional | 1,014,094 | (203,046) | 934,489 | (91,097) |
| Sixteenth section | 65,325 | 5,340 | 48,496 | 4,154 |
| Interest and other expenses on long-term liabilities | 117,315 | (117,315) | 134,192 | (134,192) |
| Total expenses | <u>\$ 12,509,342</u> | <u>(9,508,434)</u> | <u>\$ 12,229,929</u> | <u>(9,048,761)</u> |

- The net cost of governmental activities for fiscal year 2008 in the amount of \$9,508,434 was financed by general revenue, which is made up of primarily property taxes of \$1,802,657 and state revenue of \$6,895,712.
- Investment earnings accounted for \$238,957 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 fiscal year June 30, 2008, its governmental funds reported a combined fund balance of \$6,778,705. The net change in fund balance for the fiscal year was an increase of \$426,859 due mainly to sixteenth section sources generated during the fiscal year primarily from the sale of timber, sixteenth section leases and earnings on sixteenth section investments. \$4,353,767, or 64%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the unreserved, undesignated fund balance reported in the Capital Project Funds is a result of transfers from the General Fund and will be used for capital improvements. The remaining fund balance of \$2,424,938, or 36%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, prepaid items, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

Management's Discussion and Analysis
For the Year Ended June 30, 2008

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$24,645 after the transfer of funds from the Sixteenth Section Interest Fund. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of \$293,420 due primarily to sixteenth section sources generated during the fiscal year mainly from the sale of timber, sixteenth section leases and earnings on sixteenth section investments. The net change in fund balance for the 16th Section Principal Fund for the fiscal year was an increase of \$40,210 after the transfer of current year earnings on investments to the 16th Section Interest Fund. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$68,584 after routine operating transfers from the General Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for instruction expenditures in the General Fund were decreased to more accurately reflect the actual instruction expenditures incurred during the fiscal year. Vacant teacher positions were filled with teachers with less experience.
- Budgeted amounts for support services expenditures in the General Fund were decreased to more accurately reflect the actual support services expenditures incurred during the fiscal year. The original budget amounts were overstated.
- Budgeted amounts for transfers into the General Fund were decreased to more accurately reflect the actual transfers during the fiscal year. The original budget included a larger transfer of funds to the General Fund from the 16th Section Interest Fund.
- Budgeted amounts for sixteenth section sources in the 16th Section Interest Fund were increased to more accurately reflect the actual revenue generated during the fiscal year primarily from the sale of timber, sixteenth section leases and earnings on investments. The original budget amounts were understated.
- Budgeted amounts for transfers out of the 16th Section Interest Fund were decreased to more accurately reflect the actual transfers during the fiscal year. The original budget included a larger transfer of funds from the 16th Section Interest Fund to the General Fund.

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.

Management's Discussion and Analysis
For the Year Ended June 30, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets, before depreciation, were \$11,870,211, including land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross decrease of \$119,629 from the previous year due primarily to the disposal of numerous buses and other items of mobile equipment and furniture and equipment. Total depreciation expense for the year was \$384,856. Total accumulated depreciation as of June 30, 2008 was \$4,742,172, resulting in total net capital assets of \$7,128,039.

| | Capital Assets, Net of Depreciation | | Percentage Change |
|-----------------------------------|-------------------------------------|---------------------|----------------------|
| | 2008 | 2007 | |
| Land | \$ 113,365 | \$ 113,365 | 0.0% |
| Buildings | 2,970,833 | 3,056,386 | -2.8% |
| Building improvements | 3,317,000 | 3,474,880 | -4.5% |
| Improvements other than buildings | 130,483 | 141,202 | -7.6% |
| Mobile equipment | 488,944 | 508,087 | -3.8% |
| Furniture and equipment | 107,414 | 156,393 | -31.3% |
| Total | <u>\$ 7,128,039</u> | <u>\$ 7,450,313</u> | -4.3% |

Debt Administration. At June 30, 2008, the District had \$3,876,110 in limited obligation bonds and other long-term debt outstanding, of which \$222,133 is due within one year. During the fiscal year, the District made principal payments in the amount of \$230,000 on existing long-term debt.

| | Outstanding Debt | | Percentage Change |
|--------------------------------------|---------------------|---------------------|----------------------|
| | 2008 | 2007 | |
| Limited obligation bonds payable | \$ 1,980,000 | \$ 2,130,000 | -7.0% |
| Three mill notes payable | 325,000 | 405,000 | -19.8% |
| Qualified zone academy bonds payable | 1,500,000 | 1,500,000 | 0.0% |
| Compensated absences payable | 71,110 | 73,508 | -3.3% |
| Total | <u>\$ 3,876,110</u> | <u>\$ 4,108,508</u> | -5.7% |

CURRENT ISSUES

The Wilkinson County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Wilkinson County School District, P. O. Box 785, Woodville, MS 39669.

WILKINSON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

WILKINSON COUNTY SCHOOL DISTRICT

(This page was left blank intentionally)

WILKINSON COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 2,423,327 |
| Investments | 2,300,000 |
| Due from other governments | 285,415 |
| Inventories and prepaid items | 23,360 |
| Restricted assets | 1,808,441 |
| Capital assets, non-depreciable: | |
| Land | 113,365 |
| Capital assets, net of accumulated depreciation: | |
| Buildings | 2,970,833 |
| Building improvements | 3,317,000 |
| Improvements other than buildings | 130,483 |
| Mobile equipment | 488,944 |
| Furniture and equipment | 107,414 |
| Total Assets | 13,968,582 |
| Liabilities | |
| Accounts payable and accrued liabilities | 33,824 |
| Unearned revenue | 28,014 |
| Interest payable on long-term liabilities | 19,141 |
| Long-term liabilities, due within one year | |
| Capital related liabilities | 377,409 |
| Non-capital related liabilities | 2,133 |
| Long-term liabilities, due beyond one year | |
| Capital related liabilities | 3,427,591 |
| Non-capital related liabilities | 68,977 |
| Total Liabilities | 3,957,089 |
| Net Assets | |
| Invested in capital assets, net of related debt | 3,323,039 |
| Restricted net assets: | |
| Expendable: | |
| School - based activities | 3,959,174 |
| Capital projects | 37,547 |
| Debt service | 611,494 |
| Forestry improvements | 107,438 |
| Unemployment benefits | 31,847 |
| Non-expendable: | |
| Sixteenth section | 1,594,111 |
| Unrestricted | 346,843 |
| Total Net Assets | \$ 10,011,493 |

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

WILKINSON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------------|-------------------------|--|---|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction | \$ 6,876,208 | 138,434 | 880,725 | (5,857,049) |
| Support services | 4,436,400 | - | 1,100,036 | (3,336,364) |
| Non-instructional | 1,014,094 | 94,600 | 716,448 | (203,046) |
| Sixteenth section | 65,325 | 70,665 | - | 5,340 |
| Interest on long-term liabilities | 117,315 | - | - | (117,315) |
| Total governmental activities | \$ 12,509,342 | 303,699 | 2,697,209 | (9,508,434) |
| General Revenues: | | | | |
| Taxes: | | | | |
| | | | | 1,648,347 |
| | | | | 154,310 |
| Unrestricted grants and contributions: | | | | |
| | | | | 6,895,712 |
| | | | | 189,878 |
| | | | | 238,957 |
| | | | | 708,747 |
| | | | | 17,441 |
| | | | | <u>9,853,392</u> |
| | | | | <u>344,958</u> |
| | | | | 9,671,935 |
| | | | | <u>(5,400)</u> |
| | | | | <u>9,666,535</u> |
| | | | | <u>\$ 10,011,493</u> |

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

WILKINSON COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

| | Major Funds | | | | Total Governmental Funds |
|--|-------------------|----------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | General Fund | 16th Section Interest Fund | 16th Section Principal Fund | Other Governmental Funds | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 494,792 | 2,696,843 | 103,127 | 531,692 | 3,826,454 |
| Cash with fiscal agents | - | - | - | 405,314 | 405,314 |
| Investments | - | 1,000,000 | 1,300,000 | - | 2,300,000 |
| Due from other governments | 107,599 | 13,625 | 19,734 | 144,457 | 285,415 |
| Due from other funds | 5,962 | 2,000 | - | - | 7,962 |
| Advance to other funds | - | - | 171,250 | - | 171,250 |
| Inventories and prepaid items | 11,330 | - | - | 12,030 | 23,360 |
| Total Assets | \$ 619,683 | 3,712,468 | 1,594,111 | 1,093,493 | 7,019,755 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 29,741 | - | - | 4,083 | 33,824 |
| Due to other funds | 2,000 | - | - | 5,962 | 7,962 |
| Advances from other funds | 171,250 | - | - | - | 171,250 |
| Unearned revenue | - | - | - | 28,014 | 28,014 |
| Total Liabilities | 202,991 | - | - | 38,059 | 241,050 |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Advances | - | - | 171,250 | - | 171,250 |
| Inventory | - | - | - | 12,030 | 12,030 |
| Prepaid items | 11,330 | - | - | - | 11,330 |
| Unemployment benefits | - | - | - | 31,847 | 31,847 |
| Forestry improvement purposes | - | - | - | 107,438 | 107,438 |
| Capital projects funds | - | - | - | 37,547 | 37,547 |
| Debt service purposes | - | - | - | 630,635 | 630,635 |
| Permanent fund purposes | - | - | 1,422,861 | - | 1,422,861 |
| Unreserved: | | | | | |
| Undesignated, reported in: | | | | | |
| General fund | 405,362 | - | - | - | 405,362 |
| Special revenue funds | - | 3,712,468 | - | 234,676 | 3,947,144 |
| Capital projects funds | - | - | - | 1,261 | 1,261 |
| Total Fund Balances | 416,692 | 3,712,468 | 1,594,111 | 1,055,434 | 6,778,705 |
| Total Liabilities and Fund Balances | \$ 619,683 | 3,712,468 | 1,594,111 | 1,093,493 | 7,019,755 |

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

WILKINSON COUNTY SCHOOL DISTRICT

Exhibit C-1

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

| | <u>Amount</u> |
|--|-----------------------------|
| Total fund balance - governmental funds | \$ 6,778,705 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| 1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,742,172. | 7,128,039 |
| 2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | (3,876,110) |
| 3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues. | <u>(19,141)</u> |
| Total Net Assets - Governmental Activities | <u><u>\$ 10,011,493</u></u> |

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

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

Exhibit D

| | Major Funds | | | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|----------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | General Fund | 16th Section Interest Fund | 16th Section Principal Fund | | |
| Revenues: | | | | | |
| Local sources | \$ 1,829,751 | - | - | 276,366 | 2,106,117 |
| State sources | 6,647,038 | - | - | 557,048 | 7,204,086 |
| Federal sources | 218,782 | - | - | 2,359,931 | 2,578,713 |
| Sixteenth section sources | - | 790,761 | 101,343 | 73,280 | 965,384 |
| Total revenues | <u>8,695,571</u> | <u>790,761</u> | <u>101,343</u> | <u>3,266,625</u> | <u>12,854,300</u> |
| Expenditures: | | | | | |
| Instruction | 5,535,271 | - | - | 1,110,328 | 6,645,599 |
| Support services | 3,086,789 | - | - | 1,328,077 | 4,414,866 |
| Non-instructional services | 106,999 | - | - | 843,493 | 950,492 |
| Sixteenth section | - | 1,313 | - | 64,012 | 65,325 |
| Debt Service: | | | | | |
| Principal | - | - | - | 230,000 | 230,000 |
| Interest | 8,100 | - | - | 111,140 | 119,240 |
| Other | - | - | - | 650 | 650 |
| Total expenditures | <u>8,737,159</u> | <u>1,313</u> | <u>-</u> | <u>3,687,700</u> | <u>12,426,172</u> |
| Excess (deficiency) of revenues over expenditures | <u>(41,588)</u> | <u>789,448</u> | <u>101,343</u> | <u>(421,075)</u> | <u>428,128</u> |
| Other Financing Sources (Uses): | | | | | |
| Sale of transportation equipment | 1,207 | - | - | - | 1,207 |
| Sale of other property | 56 | - | - | - | 56 |
| Transfers in | 581,182 | 61,133 | - | 668,959 | 1,311,274 |
| Payments held by escrow agent | - | - | - | 114,670 | 114,670 |
| Transfers out | (516,212) | (557,161) | (61,133) | (176,768) | (1,311,274) |
| Payments to QZAB debt escrow agent | - | - | - | (114,670) | (114,670) |
| Total Other Financing Sources (uses) | <u>66,233</u> | <u>(496,028)</u> | <u>(61,133)</u> | <u>492,191</u> | <u>1,263</u> |
| Net Change in Fund Balances | <u>24,645</u> | <u>293,420</u> | <u>40,210</u> | <u>71,116</u> | <u>429,391</u> |
| Fund balances: | | | | | |
| July 1, 2007 | <u>392,047</u> | <u>3,419,048</u> | <u>1,553,901</u> | <u>986,850</u> | <u>6,351,846</u> |
| Increase (decrease) in reserve for inventory | - | - | - | (2,532) | (2,532) |
| June 30, 2008 | <u>\$ 416,692</u> | <u>3,712,468</u> | <u>1,594,111</u> | <u>1,055,434</u> | <u>6,778,705</u> |

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

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

Exhibit D-1

| | <u>Amount</u> |
|--|--------------------------|
| Net Change in fund balances - governmental funds | \$ 429,391 |
| 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 \$87,448 and the depreciation expense amounted to \$384,856. | (297,408) |
| 2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities for government activities. | 230,000 |
| 3. Governmental funds recognized interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due. | 2,575 |
| 4. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds. | (19,466) |
| 5. Increases (decreases) in the inventory is reported as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are (decreased) increased in the Statement of Activities. | (2,532) |
| 6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds. | |
| Compensated absences | 2,398 |
| Change in Net Assets of Governmental Activities | <u>\$ 344,958</u> |

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

WILKINSON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

| | <u>Agency Funds</u> |
|--|--------------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 448,671</u> |
| Total Assets | <u><u>\$ 448,671</u></u> |
| Liabilities | |
| Accounts payable and accrued liabilities | \$ 429,545 |
| Due to student clubs | <u>19,126</u> |
| Total Liabilities | <u><u>\$ 448,671</u></u> |

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

WILKINSON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

WILKINSON COUNTY SCHOOL DISTRICT

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

For financial reporting purposes, Wilkinson 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 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.

WILKINSON COUNTY SCHOOL DISTRICT

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

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 Principal Fund – This is permanent fund for which the financing sources are earnings on investments and the sale of non-renewable resources. Only the earnings on investment may be transferred to the general fund for use by the District. The permanent assets of the fund may be borrowed by the general fund for limited purposes to be repaid with interest over a period of time not to exceed 20 years.

16th Section Interest Fund – This is a Special Revenue Fund. This fund accounts for income from leases of 16th Section lands, earnings from sale of renewable resources, pro rata revenue from other districts, the transfer of earnings on investments of the 16th Section Principal permanent fund as well as transfers of interest earned on advances to the school district for limited purposes. These earnings can be used for specific expenditure purposes or transferred to the district maintenance fund or building fund by board order.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets. The District’s fiduciary funds include the following:

Clearing Funds – This accounts for the payroll and accounts payable clearing funds.

WILKINSON COUNTY SCHOOL DISTRICT

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

Student Clubs – This accounts for the money collected from students for clubs and due to those clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of 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.

WILKINSON COUNTY SCHOOL DISTRICT

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

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* issued in 2005 by the Government Financial 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.

WILKINSON COUNTY SCHOOL DISTRICT

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

F. Assets, liabilities, and net assets or equity.

1. Cash and 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 for the district are reported at fair market value.

2. Receivables and Payables.

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

WILKINSON COUNTY SCHOOL DISTRICT

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

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

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

WILKINSON COUNTY SCHOOL DISTRICT

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

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

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

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

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.**

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 government 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.

WILKINSON COUNTY SCHOOL DISTRICT

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

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

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

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

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

Reserved for debt service - An account that represents the 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 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.

WILKINSON COUNTY SCHOOL DISTRICT

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agents 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 are imposed by statutes as follows:

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorized 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 sections 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 \$6,531,768 (which includes \$2,300,000 of certificates of deposit with maturities beyond three months and reported on exhibit C as investments) and \$448,671 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$2,423,327, Investments \$2,300,000 and Restricted Assets \$1,808,441. The bank balance was \$7,145,475.

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 \$7,145,475 was exposed to custodial credit risk.

WILKINSON COUNTY SCHOOL DISTRICT

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

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$405,314. This is money being held in a sinking fund to pay off Qualified Zone Academy Bonds, \$345,836, and the MAEP Limited Obligation Bonds, \$59,478. (See Notes 6 and 12.)

Investments.

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

| <u>Investment Type</u> | <u>Maturities (in years)</u> | <u>Fair Value</u> | <u>Rating</u> |
|-------------------------|------------------------------|---------------------|---------------|
| Certificates of deposit | 1 to 5 | \$ 1,000,000 | Not Rated |
| Certificates of deposit | 1 to 5 | <u>1,300,000</u> | Not Rated |
| Total Investments | | <u>\$ 2,300,000</u> | |

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.

WILKINSON COUNTY SCHOOL DISTRICT

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

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|--------------------------|-----------------|
| General Fund | Other governmental funds | \$ 5,962 |
| 16th Section Interest | General Fund | 2,000 |
| Total | | <u>\$ 7,962</u> |

This represents the amount of interest earned in the payroll clearing fund and accounts payable clearing fund that had not been transferred to the General Fund at year end.

B. Advances To/Advances From:

Advances To/From:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|---------------------|-------------------|
| 16th Section Principal Fund | General fund | \$ 171,250 |
| Total | | <u>\$ 171,250</u> |

[Note: The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected in Exhibit D-1.]

Sixteenth section principal loans payable.

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|-----------------|----------------|
| 2009 | \$ 31,250 | 6,850 | 38,100 |
| 2010 | 21,250 | 5,600 | 26,850 |
| 2011 | 21,250 | 4,750 | 26,000 |
| 2012 | 16,250 | 3,900 | 20,150 |
| 2013 | 16,250 | 3,250 | 19,500 |
| 2014-2017 | <u>65,000</u> | <u>6,500</u> | <u>71,500</u> |
| Total | <u>\$ 171,250</u> | <u>30,850</u> | <u>202,100</u> |

WILKINSON COUNTY SCHOOL DISTRICT

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

C. Interfund Transfers.

| <u>Transfers Out</u> | <u>Transfers In</u> | <u>Amount</u> |
|--------------------------|--------------------------|------------------|
| General fund | Other governmental funds | \$ 516,212 |
| Other governmental funds | General fund | 24,021 |
| Other governmental funds | Other governmental | 152,747 |
| 16th Section Interest | General fund | 557,161 |
| 16th Section Principal | 16th Section Interest | 61,133 |
| Total | | \$ 1,311,274 |

The above transfers were for distribution of MAEP monies to various funds, and the transfer of sixteenth section principal and interest funds.

(4) Restricted Assets.

The restricted assets represent the cash balance and investment balance, totaling \$103,127, and \$1,300,000 respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's program. In addition, the restricted assets represent the cash balance, totaling \$345,836 of the QZAB Bond Retirement Fund and \$59,478 of the MAEP Limited Obligation Bond Fund.

WILKINSON COUNTY SCHOOL DISTRICT

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

(5) Capital Assets.

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

| | Balance 7/1/2007 | Additions | Deletions | Adjustments | Balance 6/30/2008 |
|---|---------------------|------------------|------------------|----------------|----------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 113,365 | | | | 113,365 |
| Total non-depreciable capital assets | <u>113,365</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>113,365</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 5,042,359 | | | | 5,042,359 |
| Building improvement | 4,040,490 | | | | 4,040,490 |
| Improvements other | 267,971 | | | | 267,971 |
| Mobile equipment | 1,676,070 | 70,995 | (193,879) | (5,400) | 1,547,786 |
| Furniture and equipment | 849,585 | 16,453 | (7,798) | | 858,240 |
| Total depreciable capital assets | <u>11,876,475</u> | <u>87,448</u> | <u>(201,677)</u> | <u>(5,400)</u> | <u>11,756,846</u> |
| <u>Less accumulated depreciation</u> | | | | | |
| Buildings | (1,985,973) | (85,553) | | | (2,071,526) |
| Building improvement | (565,610) | (157,880) | | | (723,490) |
| Improvements other | (126,769) | (10,719) | | | (137,488) |
| Mobile equipment | (1,167,983) | (65,350) | 174,491 | | (1,058,842) |
| Furniture and equipment | (693,192) | (65,354) | 7,720 | | (750,826) |
| Total accumulated depreciation | <u>(4,539,527)</u> | <u>(384,856)</u> | <u>182,211</u> | <u>-</u> | <u>(4,742,172)</u> |
| Total depreciable capital assets, net | <u>7,336,948</u> | <u>(297,408)</u> | <u>(19,466)</u> | <u>(5,400)</u> | <u>7,014,674</u> |
| Governmental activities capital assets, net | <u>\$ 7,450,313</u> | <u>(297,408)</u> | <u>(19,466)</u> | <u>(5,400)</u> | <u>7,128,039</u> |

The \$5,400 prior period adjustment was made to adjust mobile equipment to actual cost.

WILKINSON COUNTY SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

| | Amount |
|----------------------------|------------|
| Instruction | \$ 248,741 |
| Support Services | 74,925 |
| Non-instructional | 61,190 |
| Total depreciation expense | \$ 384,856 |

(6) Long-term liabilities.

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

| | Balance 07/01/07 | Additions | Reductions | Balance 06/30/08 | Amounts due within one year |
|--|---------------------|-----------|------------|---------------------|-----------------------------------|
| A. Limited obligation bonds payable | \$ 2,130,000 | - | 150,000 | 1,980,000 | 160,000 |
| B. Three mill notes payable | 405,000 | - | 80,000 | 325,000 | 60,000 |
| C. Qualified zone academy bonds payable | 1,500,000 | - | - | 1,500,000 | 157,409 |
| D. Compensated absences payable | 73,508 | - | 2,398 | 71,110 | 2,133 |
| Total | \$ 4,108,508 | - | 232,398 | 3,876,110 | 379,542 |

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 are currently outstanding as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------|------------------|---------------|------------------|------------------|-----------------------|
| Limited obligation bond | 4.4-6.25% | 05/01/98 | 05/01/18 | \$ 2,990,000 | 1,980,000 |

WILKINSON COUNTY SCHOOL DISTRICT

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

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|----------------|------------------|
| 2009 | 160,000 | 88,628 | 248,628 |
| 2010 | 170,000 | 81,588 | 251,588 |
| 2011 | 175,000 | 73,938 | 248,938 |
| 2012 | 185,000 | 65,888 | 250,888 |
| 2013 | 190,000 | 57,377 | 247,377 |
| 2014-2018 | 1,100,000 | 149,525 | 1,249,525 |
| Total | \$ 1,980,000 | 516,944 | 2,496,944 |

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district received 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 Retirement Fund.

B. Three mill notes payable.

Debt currently outstanding is as follows.

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------|------------------|---------------|------------------|------------------|-----------------------|
| Three mill note payable | 3.54% | 9/22/2005 | 9/15/2012 | \$500,000 | 325,000 |

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|---------------|----------------|
| 2009 | \$ 60,000 | 10,443 | 70,443 |
| 2010 | 60,000 | 8,319 | 68,319 |
| 2011 | 65,000 | 6,107 | 71,107 |
| 2012 | 65,000 | 3,806 | 68,806 |
| 2013 | 75,000 | 1,327 | 76,327 |
| Total | \$ 325,000 | 30,002 | 355,002 |

This debt will be retired from the EEF Building and Buses Fund and the Wilkinson County School District Debt Service Fund.

WILKINSON COUNTY SCHOOL DISTRICT

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

C. Qualified zone academy bond payable.

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

| <u>Description</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|--|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| Qualified zone academy bonds payable (2004) | 0% | 12/16/2004 | 9/15/2015 | \$ 1,000,000 | 1,000,000 |
| Qualified zone academy bonds payable (2005) | 0% | 6/3/2005 | 6/3/2014 | 500,000 | 500,000 |
| Total | | | | <u>\$ 1,500,000</u> | <u>1,500,000</u> |

D. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008, was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$814,331, \$764,937, and \$713,630, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from as trust property. Accordingly, the board shall assure that

WILKINSON COUNTY SCHOOL DISTRICT

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

adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

| Year Ending June 30 | Amount |
|------------------------|--------------|
| 2009 | 263,261 |
| 2010 | 263,161 |
| 2011 | 263,161 |
| 2012 | 263,161 |
| 2013 | 263,086 |
| Total | \$ 1,315,830 |

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit. B

| Explanation | Amount |
|--|----------|
| To adjust for prior year errors in recording cost of mobile equipment. | \$ 5,400 |
| Total | \$ 5,400 |

(10) Contingencies.

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

Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcomes or liability, if any, of the school district with respect to various proceedings. However, the school district's legal counsel believes that of the two cases before the Circuit Court of Wilkinson County, Mississippi, neither will have a material adverse effect on the financial condition of the school district. One of the cases is being handled by the school district's insurance company and the other relates to a salary dispute, limited to \$30,000. Notification of one potential claim of personal injury has been turned over to the insurance company and, according to the school district's legal counsel, will not affect the fiscal or financial condition of the school.

WILKINSON COUNTY SCHOOL DISTRICT

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

(11) Risk Management.

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

(12) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated December 16, 2004 for the \$1,000,000 QZAB bond and June 3, 2005 for the \$500,000 QZAB bond.

This agreement established a method of payment for a qualified interest-free debt instrument. The agreement required the school district to deposit funds annually into a sinking fund account on or before December 3 for \$1,000,000 QZAB bond and September 15 for the \$500,000 QZAB bond. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

| <u>Year Ending June 30</u> | <u>Amount</u> |
|--------------------------------|-------------------|
| 2009 | 136,020 |
| 2010 | 137,020 |
| 2011 | 136,020 |
| 2012 | 137,020 |
| 2013 | 127,020 |
| 2014-2015 | <u>206,890</u> |
| Total | <u>\$ 879,990</u> |

WILKINSON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

WILKINSON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

WILKINSON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2008

Schedule 1-A

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|------------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Local sources | \$ 1,901,321 | 1,829,751 | 1,829,751 | (71,570) | - |
| State sources | 6,813,590 | 6,647,038 | 6,647,038 | (166,552) | - |
| Federal sources | 219,280 | 218,782 | 218,782 | (498) | - |
| Total Revenues | <u>8,934,191</u> | <u>8,695,571</u> | <u>8,695,571</u> | <u>(238,620)</u> | <u>-</u> |
| Expenditures: | | | | | |
| Instruction | 5,911,155 | 5,535,321 | 5,535,271 | 375,834 | 50 |
| Support services | 3,795,470 | 3,086,789 | 3,086,789 | 708,681 | - |
| Non-instructional services | 50,917 | 104,999 | 106,999 | (54,082) | (2,000) |
| Debt service: | | | | | |
| Principal | 31,250 | 31,250 | - | - | 31,250 |
| Interest | 8,100 | 8,100 | 8,100 | - | - |
| Total Expenditures | <u>9,796,892</u> | <u>8,766,459</u> | <u>8,737,159</u> | <u>1,030,433</u> | <u>29,300</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(862,701)</u> | <u>(70,888)</u> | <u>(41,588)</u> | <u>791,813</u> | <u>(29,300)</u> |
| Other Financing Sources (Uses): | | | | | |
| Sale of transportation equipment | - | 1,207 | 1,207 | 1,207 | - |
| Sale of other property | - | 56 | 56 | 56 | - |
| Transfers in | 2,920,508 | 1,729,821 | 581,182 | (1,190,687) | (1,148,639) |
| Transfers out | (2,024,770) | (1,664,801) | (516,212) | 359,969 | 1,148,589 |
| Total Other Financing Sources (Uses) | <u>895,738</u> | <u>66,283</u> | <u>66,233</u> | <u>(829,455)</u> | <u>(50)</u> |
| Net Change in Fund Balances | <u>33,037</u> | <u>(4,605)</u> | <u>24,645</u> | <u>(37,642)</u> | <u>29,250</u> |
| Fund Balances: | | | | | |
| July 1, 2007 | | | <u>392,047</u> | | |
| June 30, 2008 | | | <u>\$ 416,692</u> | | |

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

Wilkinson County School District
 Budgetary Comparison Schedule - Sixteenth Section Interest Fund
 For the Year Ended June 30, 2008

Schedule I-B

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|--------------------|------------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| Revenues: | | | | | |
| Sixteenth section sources | \$ 496,586 | 790,761 | 790,761 | 294,175 | - |
| Total revenues | <u>496,586</u> | <u>790,761</u> | <u>790,761</u> | <u>294,175</u> | <u>-</u> |
| Expenditures: | | | | | |
| Sixteenth section | 1,256 | 3,313 | 1,313 | (2,057) | 2,000 |
| Total expenditures | <u>1,256</u> | <u>3,313</u> | <u>1,313</u> | <u>(2,057)</u> | <u>2,000</u> |
| Excess (deficiency) of revenues over expenditures | <u>495,330</u> | <u>787,448</u> | <u>789,448</u> | <u>292,118</u> | <u>2,000</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 53,100 | 61,133 | 61,133 | 8,033 | - |
| Transfers out | (1,407,124) | (557,161) | (557,161) | 849,963 | - |
| Total other financing sources and uses | <u>(1,354,024)</u> | <u>(496,028)</u> | <u>(496,028)</u> | <u>857,996</u> | <u>-</u> |
| Net change in fund balances | <u>(858,694)</u> | <u>291,420</u> | <u>293,420</u> | <u>1,150,114</u> | <u>2,000</u> |
| Fund balances: | | | | | |
| July 1, 2007 | | | <u>3,419,048</u> | | |
| June 30, 2008 | | | <u>\$ 3,712,468</u> | | |

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

WILKINSON COUNTY SCHOOL DISTRICT

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

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and 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 of each year. 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.

WILKINSON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

WILKINSON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

WILKINSON COUNTY SCHOOL DISTRICT

(This page was left blank intentionally.)

WILKINSON COUNTY SCHOOL DISTRICT
Schedule of Expenditure of Federal Awards
For the Year Ending June 30, 2008

| Federal Grantor/ Pass-through Grantor/ Program Title | Catalog of Federal Domestic Assistance Number | Federal Expenditures |
|--|---|-------------------------|
| <u>U. S. Department of Agriculture</u> | | |
| Passed-through Mississippi Department of Education: | | |
| Child nutrition cluster: | | |
| School breakfast program | 10.553 | \$ 199,433 |
| National school lunch program | 10.555 | 580,939 |
| Total child nutrition cluster | | <u>780,372</u> |
| Passed-through Wilkinson County: | | |
| Schools and road cluster: | | |
| Schools and roads-grants to states | 10.665 | 164,977 |
| Total schools and roads cluster | | <u>164,977</u> |
| Total U. S. Department of Agriculture | | <u>945,349</u> |
| <u>U. S. Department of Defense</u> | | |
| Direct program: | | |
| Reserve officers' training corps | 12.XXX | 53,805 |
| Total U. S. Department of Defense | | <u>53,805</u> |
| <u>Federal Communications Commission</u> | | |
| Administered through the Universe Service Administration Company | | |
| Communications information and assistance and investigation of complaints | 32.001 | 24,901 |
| Total Other Federal Assistance | | <u>24,901</u> |
| <u>U. S. Department of Education</u> | | |
| Passed-through Mississippi Department of Education: | | |
| Title I-grants to local educational agencies | 84.010 | 1,044,145 |
| Career and technical education - basic grants to states | 84.048 | 28,604 |
| Safe and drug-free schools and communities - state grants | 84.186 | 5,815 |
| State grants for innovative programs | 84.298 | 2,626 |
| Education technology state grants | 84.318 | 9,098 |
| Rural education | 84.358 | 44,907 |
| Improving teacher quality state grants | 84.367 | 150,397 |
| Grants for state assessment and related activities | 84.369 | 8,676 |
| Total | | <u>1,294,268</u> |
| Special education cluster: | | |
| Special education-grants to states | 84.027 | 331,610 |
| Special education-preschool grants | 84.173 | 19,735 |
| Total | | <u>351,345</u> |
| Total passed-through Mississippi Department of Education | | <u>1,645,613</u> |
| Total U.S. Department of Education | | <u>1,645,613</u> |
| Total for All Federal Awards | | <u>\$ 2,669,668</u> |

NOTES TO SCHEDULE:

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

The expenditure amounts include transfers out.

The pass-through entities did not assign identifying numbers to the school district.

WILKINSON COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures – Governmental
 For the Year Ended June 30, 2008

| Expenditures | Total | Instruction and Other Student | General | School | Other |
|------------------------------|----------------------|-------------------------------------|----------------|----------------|------------------|
| | | Instructional Expenditures | Administration | Administration | |
| Salaries and fringe benefits | \$ 9,445,553 | 7,037,870 | 467,377 | 634,345 | 1,305,961 |
| Other | 2,980,619 | 1,062,808 | 207,330 | 46,730 | 1,663,751 |
| Total | \$ 12,426,172 | 8,100,678 | 674,707 | 681,075 | 2,969,712 |
| Total number of students * | 1,298 | | | | |
| Cost per student | \$ 9,573 | 6,241 | 520 | 525 | 2,288 |

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

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

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

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

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

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

WILKINSON COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

WILKINSON COUNTY SCHOOL DISTRICT

(This page left blank intentionally.)

Wilkinson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
Four Year Comparison

"UNAUDITED"

| | <u>2008</u> | <u>2007*</u> | <u>2006*</u> | <u>2005*</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Local sources | \$ 1,829,751 | \$ 1,807,649 | 1,735,223 | 1,737,960 |
| State sources | 6,647,038 | 6,696,866 | 6,193,850 | 5,633,792 |
| Federal sources | 218,782 | 204,281 | 209,258 | 204,499 |
| Total revenues | <u>8,695,571</u> | <u>8,708,796</u> | <u>8,138,331</u> | <u>7,576,251</u> |
| Expenditures: | | | | |
| Instruction | 5,535,271 | 5,066,742 | 3,930,192 | 4,602,762 |
| Support services | 3,086,789 | 3,150,192 | 3,123,117 | 2,980,090 |
| Non-instructional services | 106,999 | 95,045 | 78,922 | 85,804 |
| Debt Service: | | | | |
| Interest | 8,100 | 11,150 | 14,200 | 17,250 |
| Total expenditures | <u>8,737,159</u> | <u>8,323,129</u> | <u>7,146,431</u> | <u>7,685,906</u> |
| Excess (deficiency) of revenues over expenditures | <u>(41,588)</u> | <u>385,667</u> | <u>991,900</u> | <u>(109,655)</u> |
| Other Financing Sources (Uses): | | | | |
| Insurance loss recoveries | - | 4,141 | - | 17,573 |
| Sale of transportation equipment | 1,207 | - | - | 226 |
| Sale of other property | 56 | 1,826 | 900 | 127 |
| Transfers in | 581,182 | 30,992 | 997,485 | 1,588,027 |
| Transfers out | (516,212) | (534,366) | (1,476,687) | (1,555,134) |
| Repayments to state agencies | - | (131,917) | - | - |
| Other financing uses | - | - | - | (94) |
| Total Other Financing Sources (uses) | <u>66,233</u> | <u>(629,324)</u> | <u>(478,302)</u> | <u>50,725</u> |
| Net Change in Fund Balances | <u>24,645</u> | <u>(243,657)</u> | <u>513,598</u> | <u>(58,930)</u> |
| Fund balances: | | | | |
| Beginning balance, as reported | 392,047 | 687,919 | 174,321 | 241,824 |
| Prior period adjustment & reclassifications | - | (52,215) | - | (8,573) |
| Beginning Balance, restated | <u>392,047</u> | <u>635,704</u> | <u>174,321</u> | <u>233,251</u> |
| Ending Balance | <u>\$ 416,692</u> | <u>\$ 392,047</u> | <u>\$ 687,919</u> | <u>\$ 174,321</u> |

*SOURCE - PRIOR YEAR AUDIT REPORTS

Wilkinson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Funds
Four Year Comparison

"UNAUDITED"

| | 2008 | 2007* | 2006* | 2005* |
|--|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | |
| Local sources | \$ 2,106,117 | \$ 2,075,233 | 1,969,121 | 1,847,802 |
| State sources | 7,204,086 | 7,251,832 | 6,828,388 | 6,200,240 |
| Federal sources | 2,578,713 | 2,768,710 | 3,712,787 | 2,595,978 |
| Sixteenth section sources | 965,384 | 765,028 | 604,679 | 680,459 |
| Total revenues | <u>12,854,300</u> | <u>12,860,803</u> | <u>13,114,975</u> | <u>11,324,479</u> |
| Expenditures: | | | | |
| Instruction | 6,645,599 | 6,221,353 | 5,990,658 | 5,862,498 |
| Support services | 4,414,866 | 4,637,665 | 4,713,082 | 4,179,712 |
| Non-instructional services | 950,492 | 884,225 | 851,066 | 917,176 |
| Sixteenth section | 65,325 | 48,496 | 8,313 | 32,653 |
| Facilities acquisition and construction | - | 952,723 | 1,289,131 | 29,250 |
| Debt Service: | | | | |
| Principal | 230,000 | 240,000 | 135,000 | 125,000 |
| Interest | 119,240 | 142,607 | 129,244 | 139,806 |
| Other | 650 | 1,950 | - | 42,434 |
| Total expenditures | <u>12,426,172</u> | <u>13,129,019</u> | <u>13,116,494</u> | <u>11,328,529</u> |
| Excess (deficiency) of revenues over expenditures | <u>428,128</u> | <u>(268,216)</u> | <u>(1,519)</u> | <u>(4,050)</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of transportation equipment | 1,207 | - | - | 226 |
| Insurance loss recoveries | - | 4,141 | - | 17,573 |
| Sale of other property | 56 | 1,826 | 900 | 127 |
| Proceeds of Qualified Zone Academy Bonds | - | - | - | 1,500,000 |
| Proceeds from loans | - | - | 500,000 | - |
| Transfers in | 1,311,274 | 1,094,590 | 1,684,824 | 2,266,262 |
| Payments held by escrow agent | 114,670 | 82,020 | 95,000 | 25,000 |
| Transfers out | (1,311,274) | (1,094,590) | (1,684,824) | (2,266,262) |
| Payments to QZAB debt escrow agent | (114,670) | (82,020) | (95,000) | (25,000) |
| Repayments to state agencies | - | (131,917) | - | - |
| Other financing sources (uses) | - | 1,950 | (6,123) | (94) |
| Total Other Financing Sources (uses) | <u>1,263</u> | <u>(124,000)</u> | <u>494,777</u> | <u>1,517,832</u> |
| Net Change in Fund Balances | <u>429,391</u> | <u>(392,216)</u> | <u>493,258</u> | <u>1,513,782</u> |
| Fund balances: | | | | |
| Beginning balance, as reported | 6,351,846 | 6,791,201 | 6,296,234 | 4,794,029 |
| Prior period adjustment & reclassifications | - | (53,502) | - | (8,532) |
| Beginning Balance, restated | <u>6,351,846</u> | <u>6,737,699</u> | <u>6,296,234</u> | <u>4,785,497</u> |
| Increase (decrease) in reserve for inventory | <u>(2,532)</u> | <u>6,363</u> | <u>1,709</u> | <u>(3,045)</u> |
| Ending Balance | <u>\$ 6,778,705</u> | <u>\$ 6,351,846</u> | <u>\$ 6,791,201</u> | <u>\$ 6,296,234</u> |

*SOURCE - PRIOR YEAR AUDIT REPORTS

WILKINSON COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WILKINSON COUNTY SCHOOL DISTRICT

(This page was left blank intentionally.)

CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

March 17, 2009

Superintendent and School Board
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wilkinson County School District as of and for the year ended June 30, 2008, which collectively comprise Wilkinson County School District's basic financial statements and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Finding and Questioned Costs as Findings 2008-01 to be a significant deficiency in internal control over financial reporting.

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

63

Al Dribben, CPA

P.O. Box 1411 113 North Broadway McComb MS 39649
601-684-4819 Phone 601-684-4818 Fax 1-888-299-4829 MS Toll Free email dribbencpa@cableone.net

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

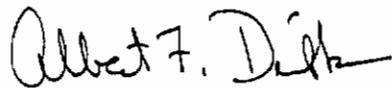
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated March 17, 2009, which is included in this report.

Wilkinson County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Wilkinson County School District's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, 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.

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

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

March 17, 2009

Superintendent and School Board
Wilkinson County School District

Compliance

We have audited the compliance of the Wilkinson 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. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

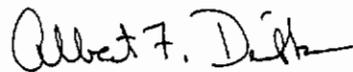
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

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

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

WILKINSON COUNTY SCHOOL DISTRICT

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

WILKINSON COUNTY SCHOOL DISTRICT

(This page was left blank intentionally.)

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

March 17, 2009

Superintendent and School Board
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wilkinson County School District as of and for the year ended June 30, 2008, which collectively comprise Wilkinson County School District's basic financial statements and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds".

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$16,262 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding

Per Section 25-1-19, Miss. Code Ann. (1972), all surety bonds are required to be filed in the chancery clerk's office. During our examination of surety bonds, we noted the following:

- A. Bonds were not recorded in the chancery clerk's office for two members of the Board of Education.
- B. Bonds were not recorded in the chancery clerk's office for all five principals.

Recommendation

The district should comply with Section 25-1-19, Miss. Code Ann. (1972), and ensure that all surety bonds are on file with the chancery clerk's office.

Response

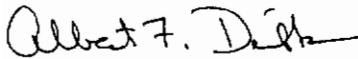
The school district had delivered copies of the bonds to the Chancery Clerk's office for filing in the bond book. Upon further checking with the Chancery Clerk's office, the copies were being held in a folder rather than having been placed in the bond book. The bonds have now been filed correctly in the bond book with a book and page designation.

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

The school district's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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.

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

WILKINSON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WILKINSON COUNTY SCHOOL DISTRICT

(This page was left blank intentionally.)

WILKINSON COUNTY SCHOOL DISTRICT

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

Section I: 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 weaknesses identified? | No |
| | b. Significant deficiency identified that is not considered to be material weakness? | Yes |

Federal Awards:

- | | | |
|----|--|--------------|
| 4 | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5 | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be material weakness? | No |
| 6 | Any audit finding reported as required by Section ____.510(a) of Circular A-133? | No |
| 7 | Federal programs identified as major programs: | |
| | Program name: | |
| | Title I - grants to local educational agencies | CFDA# 84.010 |
| | Special Education Cluster: | |
| | Special education-grants to states | CFDA# 84.027 |
| | Special Education-preschool grants | CFDA# 84.173 |
| 8 | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9 | Auditee qualified as 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 schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No |

WILKINSON COUNTY SCHOOL DISTRICT

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

Section 2: Financial Statement Findings:

Significant Deficiencies Not Considered to be Material Weaknesses

2008-01 Finding

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

Condition: During our test of activity and club fund revenues, we noted the following weaknesses:

1. One original receipt was left in the receipt book and was not given to the individual.
2. Five receipts did not indicate a payee's name.
3. Two receipts did not indicate check or cash payment.
4. Two receipts were not signed by the receiver.
5. Four receipts were not deposited timely.
6. One receipt had the teacher's name, but the list of students who paid did not indicate an amount by each student.

Cause: Inadequate internal controls surrounding revenue collections.

Effect: Inadequate internal controls related to activity and club fund revenue collection and proper receipting could result in a loss of assets and improper revenue recognition.

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

Section 3: Federal Award Findings and Questioned Costs:

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

WILKINSON COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

WILKINSON COUNTY SCHOOL DISTRICT

(This page was left blank intentionally.)

WILKINSON COUNTY SCHOOL DISTRICT
Timothy T. Scott, Superintendent of Education
POST OFFICE BOX 785
WOODVILLE, MS 39669
601-888-3582
601-888-3133 FAX

July 2, 2009

Dribben & Associates, Ltd.
Post Office Box 1411
McComb, MS 39649-1411

Gentlemen:

Wilkinson County School District respectfully submits the following corrective action plan for the year ended June 30, 2008.

The finding from the Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Section 1: Summary of Auditors Results, does not include findings and is not addressed.

Section 2: Financial Statement Findings

Significant Deficiencies not considered to be Material Weaknesses

2008-01 Finding

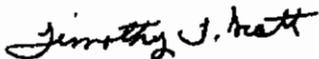
Corrective Action Planned:

A. Tremel Bates, Business Manager,
601-888-6468

B. The District's Financial Consultant reviews the schools' financial records once a year. During the reviews the weaknesses stated were found by her also. The Business Manager and the Financial Consultant will have staff development with the Secretaries of all the schools at the beginning of the 2009-2010 school year.

C. Anticipated Completion Date: June 30, 2010.

Sincerely,



Timothy T. Scott
Superintendent of Education
Wilkinson County Schools

