

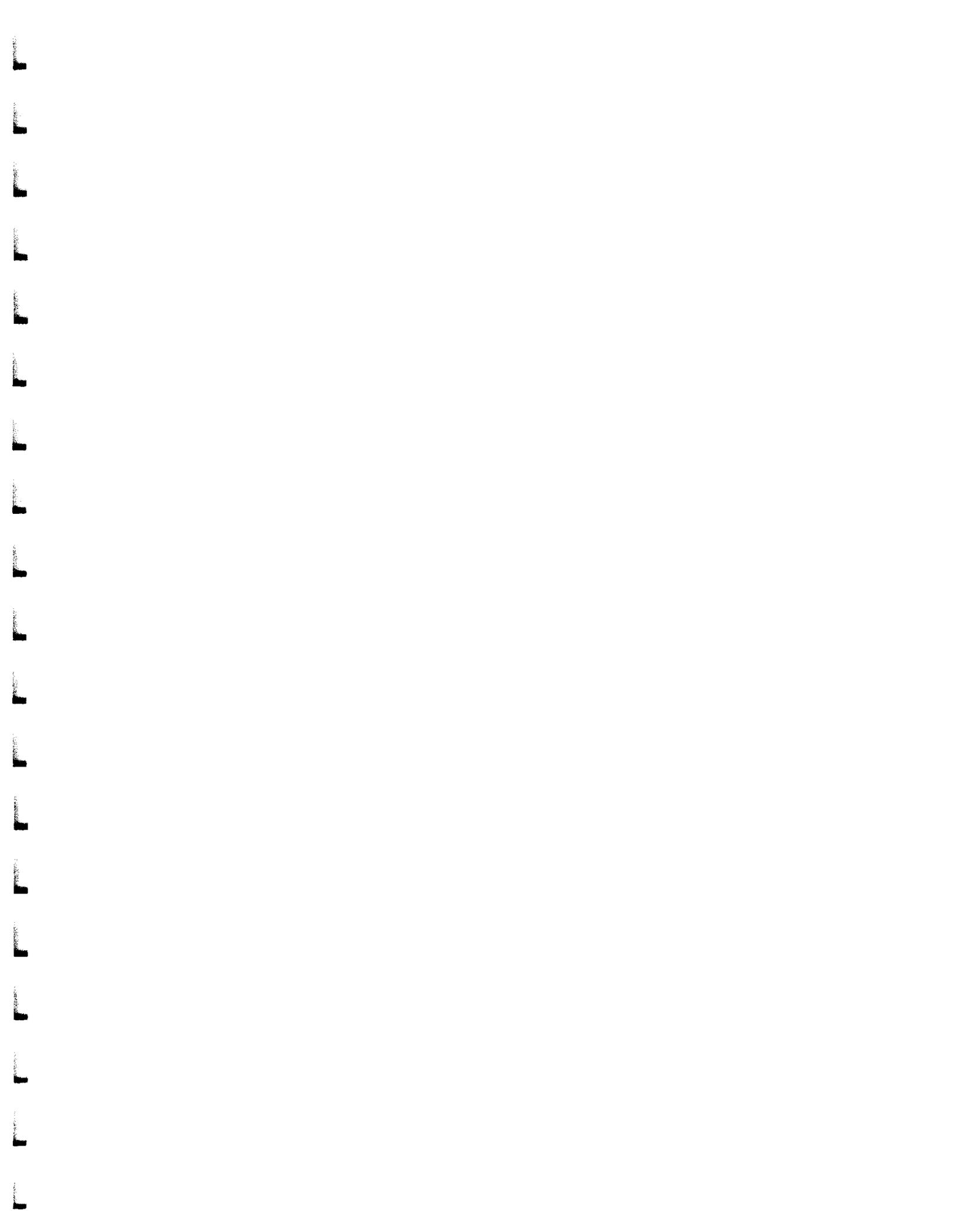


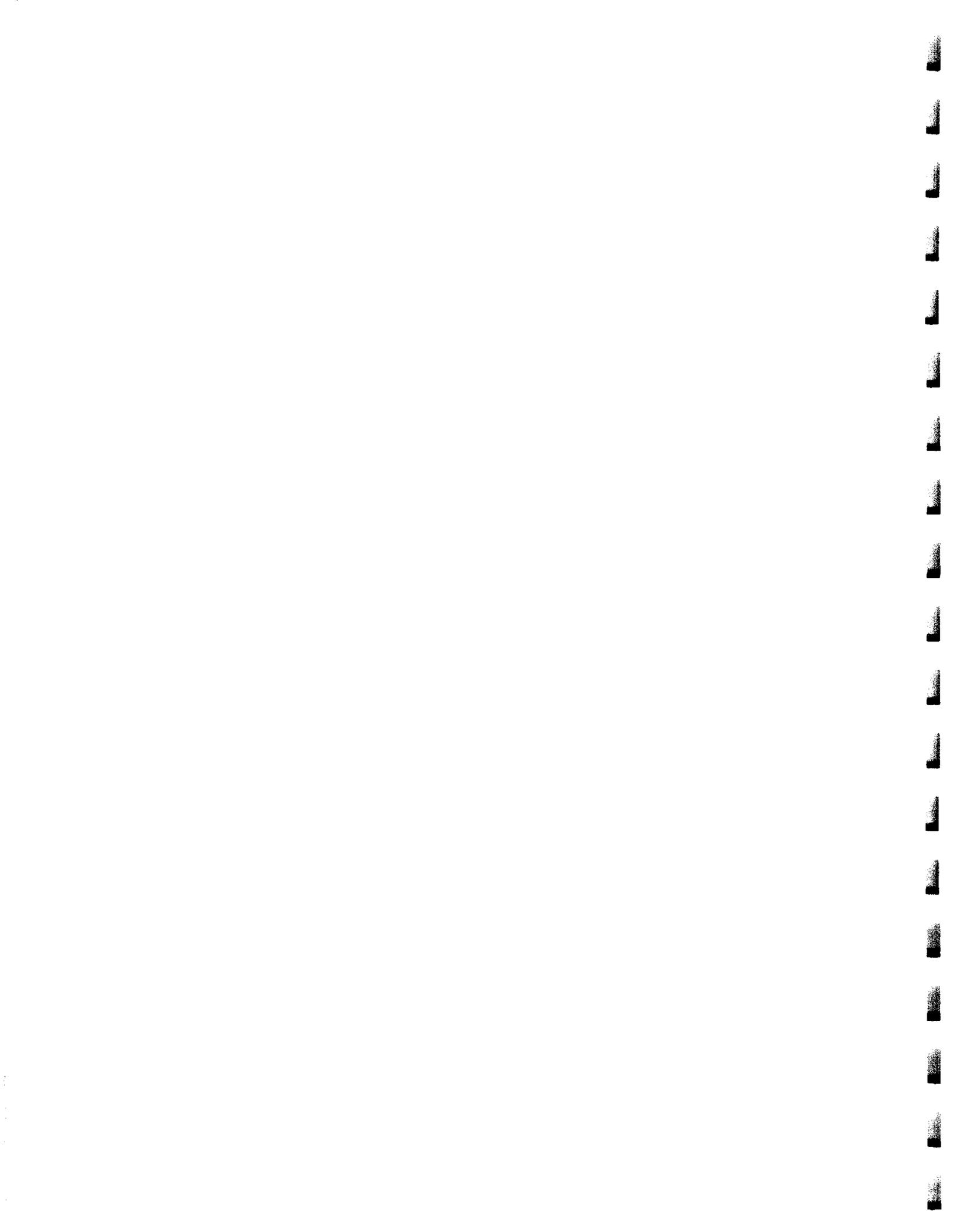
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Tate County School District
Financial Statements
June 30, 2005

Ellis & Hirsberg
Certified Public Accountants, LLC
Clarksdale, Mississippi







TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

TATE COUNTY SCHOOL DISTRICT

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

Superintendent and School Board
Tate County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2005, which collectively comprise the Tate County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tate 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 Tate County School District, as of June 30, 2005, 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 November 14, 2005, on our consideration of the Tate 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 45 through 49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tate County School District's basic financial statements. The 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. 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.

Ellis & Hinberg

November 14, 2005

TATE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of Tate County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$110,885 which represents a 2% decrease from fiscal year 2004. The decrease was caused by prior period adjustment made to capital assets.
- General revenues account for \$14,476,898 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,887,569 or 21% of total revenues.
- The District had \$18,229,603 in expenses; only \$3,887,569 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,476,898 were adequate to provide for these programs.
- Among the major funds, the General Fund, had \$13,876,965 in revenues and \$13,438,786 in expenditures. The General Fund's fund balance increased \$147,281 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$1,084,705. The increase is due to land and construction in progress under new building projects.
- Long-term debt increased by \$16,804,117. Major additions to long-term indebtedness include \$9,500,000 in bond proceeds in December 2004; \$7,500,000 in bond proceeds in June 2005; and, \$375,000 in transportation loan proceeds in July 2004. The district paid off its Energy Efficiency Lease in March 2005 in the amount of \$242,269. In addition, the liability for compensated absences decreased by \$26,114 from the prior fiscal year.
- The district held a bond election in September 2004 for the purpose of raising \$17,000,000 to build three new schools, a high school in Independence, a high school in Strayhorn, and a new elementary school in Coldwater. The issue was approved by an 83% majority. The bond proceeds were divided into two issues, \$9,500,000 in December 2004 and \$7,500,000 in June 2005. As of June 30, 2005, the district has expended \$120,337 for land and \$1,256,711 for construction in progress from those bond proceeds.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 15 to 16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 24, respectively.

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

The basic governmental fund financial statements can be found on pages 18 to 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District.

Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 25.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 41 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 45 to 49 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets: Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$5,665,941 as of June 30, 2005.

Capital assets represent 35% of the district's total assets. Cash and investments account for 63% of total assets.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and June 30, 2004.

	2005 <u>Amount</u>	2004 <u>Amount</u>
Current assets	\$ 19,232,882	2,857,389
Restricted assets		16,578
Capital assets, net	<u>10,222,022</u>	<u>9,137,317</u>
Total assets	<u>29,454,904</u>	<u>12,011,284</u>
Current liabilities	1,900,791	626,673
Long-term debt outstanding	<u>21,888,172</u>	<u>5,607,785</u>
Total liabilities	<u>23,788,963</u>	<u>6,234,458</u>
Net assets:		
Invested in capital assets, net of related debt	(12,440,478)	3,305,048
Restricted	16,541,760	762,892
Unrestricted	<u>1,564,659</u>	<u>1,708,886</u>
Total net assets	<u>\$ 5,665,941</u>	<u>5,776,826</u>

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

- Transportation loans issued in the amount of \$375,000
- Energy Efficiency lease agreement paid in full, \$242,269
- Payments on other debt in the amount of \$328,614
- Payments to retiring employees in the amount of \$2,951 for up to 30 days of accumulated leave.
- Decrease in compensated absences liability in the amount of \$26,114
- Proceeds from bond issues totaling \$17,000,000 were received to finance new construction.

Changes in net assets: The District's total revenues for the fiscal year ended June 30, 2005 were \$18,299,678. The total cost of all programs and services was \$18,879,561. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005:

	2005 <u>Amount</u>	2004 <u>Amount</u>
Revenues:		
Program revenues	\$ 3,887,569	4,278,676
General revenues	<u>14,476,898</u>	<u>13,910,473</u>
Total revenues	<u>18,364,467</u>	<u>18,189,149</u>
Expenses:		
Instruction	10,504,558	10,108,468
Support services	5,790,077	5,387,560
Non-instructional	1,439,890	1,323,933
Interest on long-term liabilities	<u>495,078</u>	<u>345,854</u>
Total expenses	<u>18,229,603</u>	<u>17,165,815</u>
Increase in net assets	<u>\$ 134,864</u>	<u>1,023,334</u>

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

	Total <u>Expenses</u>	Net (Expense) <u>Revenue</u>
Instruction	\$ 10,504,558	\$ (8,525,272)
Support services	5,790,077	(4,934,323)
Non-instructional	1,439,890	(387,361)
Interest on long-term liabilities	<u>495,078</u>	<u>(495,078)</u>
Total expenses	<u>\$ 18,229,603</u>	<u>\$ (14,342,034)</u>

- Net cost of governmental activities of \$14,342,034 was financed by general revenue, which is made up primarily of property taxes \$2,125,474, state revenue \$12,107,041, federal revenue \$83,419.
- Investment earnings accounted for \$157,956 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$18,529,173, an increase of \$15,796,993 due primarily to the bond proceeds received during the fiscal year. \$18,490,373 or 99.80% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$147,281. The fund balances of the other major funds increase (decreased) as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Special Education Funds	1,696
Local General Bond Issue 2004	8,241,758
Local General Bond Issue 2005	7,518,208

The fund balance of the Other Governmental Funds (Non-major funds) decreased in the amount of \$82,140 for the fiscal year.

BUDGETARY HIGHLIGHTS

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

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

The original revenue budgeted was increased by \$199,286 on the final budget. The District has a practice of not budgeting 100% of the projected state revenue in the event of a major decrease in state allocation or the need for emergency expenditures due to unforeseen circumstances. Any changes to the operating budget reflect the changing needs of the District due to shifts in necessary expenditures used to further the educational and fiscal vision of the District as a whole.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets were \$16,370,272, including land, school buildings, building and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,336,421 from the previous year. The increase was due to new construction at various school sites. Total accumulated depreciation as of June 30, 2005 was \$6,148,250 and total depreciation expense for the year was \$409,313, resulting in total net assets of \$10,222,022.

Additional information of the District's capital assets can be found in Note 5 on page 32 and 33 of this report.

Debt Administration. At June 30, 2005, the District had \$22,759,286 in long-term debt outstanding, of which \$871,114 is due within one year. In addition, the liability for compensated absences decreased by \$26,114 from the prior year.

The District maintains an A+ bond rating.

Additional information of the District's long-term debt can be found on pages 34 through 37 of this report.

CURRENT ISSUES

The Tate 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. The millage has remained the same over the last two years. However, a millage increase is expected for the coming year to pay back bond funds. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase by 125 students. The budget for the next fiscal year has taken into account this reduction in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Tate County School District, 107 Court Street, Senatobia, MS 38668.

TATE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

Assets

Cash and cash equivalents	\$	9,280,052
Investments		9,342,087
Due from other governments		571,943
Inventories and prepaid items		38,800
Capital assets, net (Note 4)		<u>10,222,022</u>

Total Assets \$ 29,454,904

Liabilities:

Accounts payable and accrued liabilities	\$	636,796
Deferred revenue		66,913
Interest payable on long-term debt		325,968
Long-term liabilities, due within one year		
Capital related liabilities		845,000
Non-capital liabilities (Note 5)		26,114
Long-term liabilities, due beyond one year		
Capital related liabilities		21,817,500
Non-capital liabilities (Note 5)		<u>70,672</u>

Total Liabilities \$ 23,788,963

Net Assets

Investment in capital assets, net of related debt	\$	(12,440,478)
Restricted net assets:		
Expendable:		
School based activities		165,121
Debt service		616,673
Capital improvements		15,759,966
Unrestricted		<u>1,564,659</u>

Total Net Assets \$ 5,665,941

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

TATE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

Foundations/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Government Activities
Governmental Activities:					
Instruction	\$ 10,504,558	436,970	1,542,316		(8,525,272)
Support services	5,790,077		855,754		(4,934,323)
Non-instructional services	1,439,890	164,580	887,949		(387,361)
Interest and other expenses on long-term liabilities	<u>495,078</u>				<u>(495,078)</u>
Total governmental activities	\$ <u>18,229,603</u>	<u>601,550</u>	<u>3,286,019</u>		<u>(14,342,034)</u>
General Revenues:					
Taxes:					
					Property taxes - general purposes 2,125,474
Unrestricted grants and contributions:					
					State 12,107,041
					Federal 83,419
					Unrestricted investment earnings 157,956
					Other <u>3,008</u>
					<u>Total general revenues 14,476,898</u>
					<u>Change in Net Assets 134,864</u>
					Net Assets - Beginning 5,776,826
					Prior period adjustments: <u>(245,749)</u>
					<u>Net Assets - Restated 5,531,077</u>
					<u>Net Assets - Ending \$ 5,665,941</u>

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

TATE COUNTY SCHOOL DISTRICT

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	Major Funds					Total Governmental Funds
	General Fund	Special Education Fund	Local General Bond Issue 2004 Fund	Local General Bond Issue 2005 Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents (Note 2)		69,617	8,392,724	200,276	617,435	9,280,052
Investments	2,005,766			7,317,932	18,389	9,342,087
Due from other governments	168,248				403,695	571,943
Due from other funds (Note 3)	78,998					78,998
Inventories and prepaid items					38,800	38,800
Total Assets	2,253,012	69,617	8,392,724	7,518,208	1,078,319	19,311,880

LIABILITIES AND FUND BALANCES

Liabilities:						
Accounts payable and accrued liabilities	264,664	241	150,966		219,990	635,861
Due to other funds (Note 3)	935				78,998	79,933
Deferred revenue		66,591			322	66,913
Total Liabilities	265,599	66,832	150,966	0	299,310	782,707
Fund Balances:						
Reserved for:						
Inventory					38,800	38,800
Unreserved:						
Undesignated, reported in:						
General fund	1,987,413					1,987,413
Special Revenue funds		2,785			123,536	126,321
Capital Projects funds			8,241,758	7,518,208		15,759,966
Debt Service funds					616,673	616,673

Total Fund Balances	<u>1,987,413</u>	<u>2,785</u>	<u>8,241,758</u>	<u>7,518,208</u>	<u>779,009</u>	<u>18,529,173</u>
Total Liabilities and Fund Balances	<u>\$ 2,253,012</u>	<u>69,617</u>	<u>8,392,724</u>	<u>7,518,208</u>	<u>1,078,319</u>	<u>19,311,880</u>

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

TATE COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2005

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 18,529,173
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,148,250.</p>	10,222,022
<p>2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)</p>	
Long-term liabilities	(22,759,286)
Accrued interest on long-term liabilities	<u>(325,968)</u>
Total Net Assets - Governmental Activities	\$ <u><u>5,665,941</u></u>

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

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 June 30, 2005

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Special Education Funds	Local General Bond Issue 2004 Fund	Local General Bond Issue 2005 Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 2,058,995		118,806	18,267	688,917	2,884,985
State sources	11,734,550	174			856,098	12,590,822
Federal sources	83,420	637,839			2,164,393	2,885,652
Total Revenue	13,876,965	638,013	118,806	18,267	3,709,408	18,361,459
Expenditures:						
Instruction	7,960,978	418,530			1,953,203	10,332,711
Support services	4,952,887	217,787		59	865,131	6,035,864
Non-instructional services	240,750		1,377,048		1,156,106	1,396,856
Facilities & Acquisition						1,377,048
Debt Service:						
Principal	269,769				275,000	544,769
Interest	14,402				254,053	268,455
Total Expenditures	13,438,786	636,317	1,377,048	59	4,503,493	19,955,703
Excess (Deficiency) of Revenues Over Expenditures	438,179	1,696	(1,258,242)	18,208	(794,085)	(1,594,244)
Other Financing Sources (Uses)						
Proceeds of bonds			9,500,000	7,500,000		17,000,000
Proceeds of loan	375,000					375,000
Sale of transportation equipment	5,902					5,902
Sale of land	19,515					19,515
Operating transfers in	1,227,129				713,646	1,940,775
Operating transfers out	(1,914,455)				(26,320)	(1,940,775)
Other uses	(3,989)				(5,191)	(9,180)
Total Other Financing Sources (Uses)	(290,898)	0	9,500,000	7,500,000	682,135	17,391,237

Net Change in Fund Balances	147,281	1,696	8,241,758	7,518,208	(111,950)	15,796,993
Fund Balances:						
July 1, 2004	1,831,785	1,089			861,151	2,694,025
Prior period adjustment	8,347				26,423	34,770
July 1, 2004 as adjusted	1,840,132	1,089	0	0	887,574	2,728,795
Increase in reserve for inventory					3,385	3,385
June 30, 2005	\$ 1,987,413	2,785	8,241,758	7,518,208	779,009	18,529,173

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

TATE COUNTY SCHOOL DISTRICT

Exhibit D-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended June 30, 2005

	<u>Amount</u>
Net change in fund balances	\$ 15,796,993
Amounts reported in the statement of net activities (Exhibit D) are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets.	1,796,948
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities.	(409,313)
3. In Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Proceeds from sale of capital assets	(25,417)
Gain on sales of capital assets	3,008
4. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(17,375,000)
5. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	544,769
6. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences decreases	26,114
Accrued interest on debt increases	(226,623)
7. An increase or decrease in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in non-instructional service expenses in the Statement of Activities	<u>3,385</u>
Change in net assets of governmental activities	\$ <u><u>134,864</u></u>

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

TATE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2005

Exhibit E

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 3)	\$	858,946
Due from other funds		<u>935</u>
Total Assets	\$	<u><u>859,881</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	832,344
Due to student clubs		<u>27,537</u>
Total Liabilities	\$	<u><u>859,881</u></u>

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

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

(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 Auditing Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board.

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2005

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. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues of the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statement, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

Special Education Fund - This fund accounts resources used in providing special education.

Local General Bond Issue 2004 Fund - This fund accounts for activities of the bond issue.

Local General Bond Issue 2005 Fund - This fund accounts for activities of the bond issue.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2005

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U. S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

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

I. Capital Assets.

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

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	<u>Capitalization</u> <u>Policy</u>	<u>Estimated</u> <u>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 4 for details.

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

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

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

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

Reserved for 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.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

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 only the compensated absence liability payable from expendable available financial resources.

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

Cash and Cash Equivalents.

The collateral for public entities' 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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,280,052 and \$858,946, respectfully. The carrying amount of deposits reported in the government-wide statement was \$9,280,052. The bank balance was \$11,099,473.

Investments.

Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the school district that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 - Insured or registered or for which the securities are held by the school district or its agent in the school district's name.

Category 2 - Uninsured and unregistered for which the securities are held by the broker or dealer's trust department or agent in the school district's name.

Category 3 - Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the school district's name.

Investment Type	Category			Carrying Amount	Market Value
	1	2	3		
Treasury Bill		18,389		18,389	18,389
MS Ed Pool	\$	<u>9,323,698</u>		<u>9,323,698</u>	<u>9,323,698</u>
Subtotal	\$	<u>0</u>	<u>9,342,087</u>	<u>0</u>	<u>9,342,087</u>

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

Investment Type	Category			Carrying Amount	Market Value
	1	2	3		
Total Investments				\$ <u>9,342,087</u>	<u>9,342,087</u>

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due From	Due To
Major Funds:		
General fund	\$ 78,998	935
Other Major funds:		
Non-major funds		78,998
Fiduciary funds	<u>935</u>	
Total Funds	\$ <u>79,933</u>	<u>79,933</u>

B. Transfers In/Out.

	Transfers In	Transfers Out
Major funds:		
General fund	\$ 1,227,129	1,914,455
Other major funds		
Non-major funds	<u>713,646</u>	<u>26,320</u>
Total Funds	\$ <u>1,940,775</u>	<u>1,940,775</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Capital Assets.

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

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

	Balance 7-1-2004	Additions	Retirements	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 354,203	120,337	5,000		469,540
Construction in progress		1,256,711			1,256,711
Total non-depreciable capital assets	<u>354,203</u>	<u>1,377,048</u>	<u>5,000</u>	<u>0</u>	<u>1,726,251</u>
<u>Depreciable capital assets:</u>					
Buildings	11,661,710			(251,878)	11,409,832
Mobile equipment	2,591,482	419,900	126,198	7,540	2,892,724
Furniture and equipment	426,456		14,445	(70,546)	341,465
Total depreciable capital assets	<u>14,679,648</u>	<u>419,900</u>	<u>140,643</u>	<u>(314,884)</u>	<u>14,644,021</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,006,283	200,894		(25,065)	4,182,112
Mobile equipment	1,636,502	178,895	110,976	(8,280)	1,696,141
Furniture and equipment	253,749	29,524	12,258	(1,018)	269,997
Total accumulated depreciation	<u>5,896,534</u>	<u>409,313</u>	<u>123,234</u>	<u>(34,363)</u>	<u>6,148,250</u>
Total depreciable capital assets, net	<u>8,783,114</u>	<u>10,587</u>	<u>17,409</u>	<u>280,521</u>	<u>8,495,771</u>
Governmental activities capital assets, net	<u>\$ 9,137,317</u>	<u>1,387,635</u>	<u>22,409</u>	<u>280,521</u>	<u>10,222,022</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 197,961
Support services	174,113
Non-instructional	<u>37,239</u>
Total depreciation expense	<u>\$ 409,313</u>

Commitments under construction contracts at June 30, 2005, are summarized as follows:

	Remaining Commitment
Coldwater High School Gym Renovation	\$ 101,615
Independence High School Rough Grading	236,703
Independence High School Construction	7,399,104
Strayhorn High School Construction	4,554,000
Coldwater Elementary	<u>2,553,000</u>
Total	<u>\$ 14,844,422</u>

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

(5) Long-term Liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Balance 6-30-2005	Amounts Due Within One Year
A. General obligation bonds payable 1998 issue	\$ 1,585,000	17,000,000	80,000	18,505,000	425,000
B. Limited obligation bonds payable	3,785,000		195,000	3,590,000	205,000
C. Transportation equipment loans payable		375,000		375,000	187,500
D. Obligations under energy efficiency lease	242,269		242,269	0	
E. Installment purchase loans payable	220,000		27,500	192,500	27,500
F. Compensated absences payable	122,900		26,114	96,786	26,114
Total	\$ 5,955,169	17,375,000	570,883	22,759,286	871,114

A. General obligation bonds payable 1998 issue.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, School Bonds, Series 1998	Varies	02-01-1998	02-01-2018	\$ 2,000,000	1,505,000
General obligation bonds, Series 2004	Varies	12-21-2004	6-1-2020	9,500,000	9,500,000
General obligation bonds, Series 2005	Varies	06-21-2005	06-01-2022	\$ 7,500,000	7,500,000
Total				\$ 19,000,000	18,505,000

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 425,000	892,993	1,317,993
2007	700,000	712,623	1,412,623

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

2008	760,000	683,935	1,443,935
2009	825,000	653,130	1,478,130
2010	885,000	619,568	1,504,568
2011 - 2015	5,570,000	2,519,855	8,089,855
2016 - 2020	7,535,000	1,279,425	8,814,425
2021 - 2025	<u>1,805,000</u>	<u>108,600</u>	<u>1,913,600</u>
Total	\$ <u>18,505,000</u>	<u>7,470,129</u>	<u>25,975,129</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 24% of property assessments as of October 1, 2005. A determination was made that the school district met the requirements of Section 37-59-7, Mississippi Code Annotated 1972; therefore, the district is subject to a 25% debt limitation rather than the 15% limitation previously mentioned. These debts will be retired from the Bond Retirement Fund 1998, Bond Retirement Fund 2004, and Bond Retirement Fund 2005.

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement	Varies	03-01-1998	03-01-2018	\$ <u>4,640,000</u>	<u>3,590,000</u>
Total				\$ <u>4,640,000</u>	<u>3,590,000</u>

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

Year Ending	Principal	Interest	Total
June 30			
2006	\$ 205,000	167,688	372,688
2007	220,000	155,183	375,183
2008	230,000	145,723	375,723
2009	240,000	135,660	375,660

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

2010	250,000	124,860	374,860
2011 - 2015	1,420,000	441,045	1,861,045
2016 - 2018	<u>1,025,000</u>	<u>95,910</u>	<u>1,120,910</u>
Total	\$ <u>3,590,000</u>	<u>1,266,069</u>	<u>4,856,069</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from 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 4041 fund.

C. Transportation equipment loans payable.

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>
Senatobia Bank	3.97	7-20-2004	9-1-2006	\$ <u>375,000</u>	<u>375,000</u>
Total				\$ <u>375,000</u>	<u>375,000</u>

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

	Year Ending			
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 187,500	16,625	204,125	
2007	<u>187,500</u>	<u>16,625</u>	<u>204,125</u>	
Total	\$ <u>375,000</u>	<u>33,250</u>	<u>408,250</u>	

This debt will be retired from the 4021 fund.

D. Obligations under energy efficiency lease.

An energy efficiency lease agreement dated November 21, 2002, was executed by and between the district, the lessee, and Trustmark Bank, the lessor.

The agreement authorized the borrowing of \$293,000 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

By board action, this debt was disposed of in its entirety March 28, 2005. This was retired from the general fund.

E. Installment purchases loans payable.

The school district has entered into an installment purchases agreement. Property under this installment purchases agreement is composed of fifty-four acres of land.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Land note	5%	9-15-2003	9-15-2011	\$ 220,000	192,500
Total				\$ 220,000	192,500

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

	<u>Year Ending</u>			
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	27,500	9,625	37,125
2007		27,500	8,250	35,750
2008		27,500	6,877	34,377
2009		27,500	5,500	33,000
2010		27,500	4,125	31,625
2011 - 2012		55,000	4,125	59,125
Total	\$	192,500	38,502	231,002

In an agreement with Michael Ferguson, et al., the district purchased 54 acres of land in Tate County for future use as a school site. This debt will be retired from the general fund.

F. Compensated absences payable.

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

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. Effective July 1, 2005, the contribution by the school district will be increased to 10.75% on federal funded wages. 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, 2005, 2004 and 2003 were \$995,024, \$952,845, and \$942,817, respectively, which equaled the required contributions for each year.

(7) Deficit Fund Balance of Individual Funds.

A generic fund type listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

<u>Fund</u>	<u>Fund Balance</u>
Food Service Fund	\$ (68,909)

The deficit fund balances are not in violation of state law. These deficits could have been eliminated with a transfer from the district maintenance fund (General Fund).

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

<u>Explanations</u>	<u>Exhibit B - Statement of Activities</u>
1. Correct MAEP funds at bank	\$ (3,575)
2. Remove capital assets below threshold for reporting	(280,521)
3. Correct amount which should have been accrued for June 2004 payroll	<u>38,347</u>
<u>Total</u>	<u>\$ (245,749)</u>

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Funds:</u>	<u>Explanations</u>	<u>Amount</u>
General fund	Reimburse fund 2901 per previous year audit finding; accrue June 2004 payroll	\$ 8,347
Other governmental funds	Correct MAEP funds, reimburse fund 2901 per previous year audit finding	<u>26,423</u>
Total		\$ <u>34,770</u>

(9) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

The school district is a member of the Mississippi Ed Pool. The pool is an investment pool in which the district has invested surplus funds in order to take advantage of a higher interest rate. The school district has invested funds from its General Fund (1120) and Local General Bond Issue 2005 (3025). The extent of the school district's investment in the pool is summarized in the section Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

(10) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated January 31, 1984, creating the Senatobia - Tate County Regional Vocational Education Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Senatobia City School District and the Tate County School District.

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

Section 37-13-92(6), Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Tate County School District has been designated as the fiscal agent for the Senatobia - Tate County Regional Vocational Education Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Senatobia - Tate County Regional Vocational Education Center.

TATE COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Revenues		
Local sources		
Tuition from other governmental entities within the state:		
Senatobia School District	\$	50,000
Taxes		92,927
Other local		<u>30,000</u>
Total tuition from other LEA's within the state		<u>172,927</u>
Interest		
Total local sources		<u>172,927</u>
State sources		
Federal sources		
Total Revenues		<u>172,927</u>
Expenditures		
Salaries		85,422
Employee benefits		49,722
Supplies		<u>64,635</u>
Total Expenditures		<u>199,779</u>
Net Change in Fund Balance		(26,852)
Fund Balance:		
July 1, 2004		<u>27,318</u>
June 30, 2005	\$	<u><u>466</u></u>

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Local sources	\$ 2,060,757	2,047,971	2,058,995	(12,786)	11,024
State sources	11,535,302	11,741,860	11,734,550	206,558	(7,310)
Federal sources	77,906	83,420	83,420	5,514	0
Total Revenues	<u>13,673,965</u>	<u>13,873,251</u>	<u>13,876,965</u>	<u>199,286</u>	<u>3,714</u>
Expenditures:					
Instruction	8,060,397	7,944,449	7,960,978	115,948	(16,529)
Support services	4,287,845	4,864,495	4,952,887	(576,650)	(88,392)
Non-instructional services	165,500	239,830	240,750	(74,330)	(920)
Facilities, acquisition, & construction		920		(920)	920
Debt service					
Principal	77,040	284,171	269,769	(207,131)	14,402
Interest			14,402	0	(14,402)
Total Expenditures	<u>12,590,782</u>	<u>13,333,865</u>	<u>13,438,786</u>	<u>(743,083)</u>	<u>(104,921)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,083,183</u>	<u>539,386</u>	<u>438,179</u>	<u>(543,797)</u>	<u>(101,207)</u>
Other Financing Sources (Uses):					
Proceeds of Loans		375,000	375,000	375,000	0
Sale of transportation equipment		5,902	5,902	5,902	0
Sale of other property		19,515	19,515	19,515	0
Operating transfers in	1,185,451	1,219,447	1,227,129	33,996	7,682
Operating transfers out	(2,196,184)	(1,847,540)	(1,914,455)	348,644	(66,915)
Other financing uses			(3,989)	0	(3,989)
Total Other Financing Sources (Uses)	<u>(1,010,733)</u>	<u>(227,676)</u>	<u>(290,898)</u>	<u>783,057</u>	<u>(63,222)</u>
Special items		(1,950)		(1,950)	1,950
Net Change in Fund Balances	<u>72,450</u>	<u>309,760</u>	<u>147,281</u>	<u>237,310</u>	<u>(162,479)</u>
Fund Balances:					
July 1, 2004	1,831,785	1,831,785	1,831,785	0	0
Prior period adjustments			8,347	0	8,347
June 30, 2004 as adjusted	<u>1,831,785</u>	<u>1,831,785</u>	<u>1,840,132</u>	<u>0</u>	<u>8,347</u>
June 30, 2005	<u>\$ 1,904,235</u>	<u>2,141,545</u>	<u>1,987,413</u>	<u>237,310</u>	<u>(154,132)</u>

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

TATE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Education Funds
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Local sources	\$			0	0
State sources		174	174	174	0
Federal sources	<u>699,811</u>	<u>661,383</u>	<u>637,839</u>	<u>(38,428)</u>	<u>(23,544)</u>
Total Revenues	<u>699,811</u>	<u>661,557</u>	<u>638,013</u>	<u>(38,254)</u>	<u>(23,544)</u>
Expenditures:					
Instruction	474,463	418,530	418,530	55,933	0
Support services	<u>225,348</u>	<u>217,546</u>	<u>217,787</u>	<u>7,802</u>	<u>(241)</u>
Total Expenditures	<u>699,811</u>	<u>636,076</u>	<u>636,317</u>	<u>63,735</u>	<u>(241)</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>0</u>	<u>25,481</u>	<u>1,696</u>	<u>25,481</u>	<u>(23,785)</u>
Net Change in Fund Balances					
	<u>0</u>	<u>25,481</u>	<u>1,696</u>	<u>25,481</u>	<u>(23,785)</u>
Fund Balances:					
July 1, 2004	<u>1,089</u>	<u>1,089</u>	<u>1,089</u>	<u>0</u>	<u>0</u>
June 30, 2005	<u>\$ 1,089</u>	<u>26,570</u>	<u>2,785</u>	<u>25,481</u>	<u>(23,785)</u>

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

TATE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Local General Bond Issue - 2004
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original</u>	<u>Final</u>
				To Final	To Actual
Revenues:					
Local sources	\$	115,164	118,806	115,164	3,642
Total Revenues	0	115,164	118,806	115,164	3,642
Expenditures:					
Facilities, acquisition, & construction		1,242,573	1,377,048	(1,242,573)	(134,475)
Total Expenditures	0	1,242,573	1,377,048	(1,242,573)	(134,475)
Excess (Deficiency) of Revenues Over Expenditures	0	(1,127,409)	(1,258,242)	(1,127,409)	(130,833)
Other Financing Sources (Uses):					
Proceeds of general obligation bonds		9,503,642	9,500,000	9,503,642	(3,642)
Total Other Financing Sources (Uses)	0	9,503,642	9,500,000	9,503,642	(3,642)
Net Change in Fund Balances	0	8,376,233	8,241,758	8,376,233	(134,475)
Fund Balances:					
July 1, 2004				0	0
June 30, 2005	\$	0	8,376,233	8,376,233	(134,475)

TATE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Local General Bond Issue - 2005
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(GAAP Basis)</u>	<u>Variances</u> <u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original</u> <u>To Final</u>	<u>Final</u> <u>To Actual</u>
Revenues:					
Local sources	\$	18,267	18,267	18,267	0
Total Revenues		0	18,267	18,267	0
Expenditures:					
Support services		59	59	(59)	0
Total Expenditures		0	59	(59)	0
Excess (Deficiency) of Revenues Over Expenditures		0	18,208	18,208	0
Other Financing Sources (Uses):					
Proceeds of general obligation bonds		7,500,000	7,500,000	7,500,000	0
Total Other Financing Sources (Uses)		0	7,500,000	7,500,000	0
Net Change in Fund Balances		0	7,518,208	7,518,208	0
Fund Balances:					
July 1, 2004				0	0
June 30, 2005	\$	0	7,518,208	7,518,208	0

TATE COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

(3) Individual Fund Disclosures

Individual funds that have an excess of expenditures over budget, including amounts of the excess, are as follows:

<u>Individual Fund</u>	<u>Amount</u>
General Fund	\$ 104,921
Special Education	241
Local General Bond Issue - 2004	134,475

The general fund and special revenue funds are in violation of state law. However, the school district has no liability associated with these violations. The local general bond issue - 2004 fund with an excess of expenditures over budget is not in violation of state law since the excesses resulted from auditor's adjustments.

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

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:		
Non-cash assistance:		
Food donation	10.550	\$ <u>43,564</u>
Child nutrition cluster:		
School breakfast program	10.553	167,299
National school lunch program	10.555	<u>738,439</u>
Total child nutrition cluster		<u>905,738</u>
Total U.S. Department of Agriculture		<u>949,302</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	722,257
Migrant education - basic state grant program	84.011	68,729
Vocational education - basic grants to states	84.048	48,394
Safe and drug-free schools and communities - state grants	84.186	17,420
Eisenhower professional development state grants	84.281	196,688
Innovative education program strategies	84.298	3,258
Education technology state grants	84.318	15,596
Comprehensive school reform demonstration	84.332	66,231
Improving teacher quality - state grants	84.367	<u>44,299</u>
Total		<u>1,182,872</u>
Special education cluster:		
Special education - grants to states	84.027	665,278
Special education - preschool grants	84.173	<u>21,819</u>
Total		<u>687,097</u>
Total passed-through Mississippi Department of Education		<u>1,869,969</u>
Total U.S. Department of Education		<u>1,869,969</u>
Total for All Federal Awards		\$ <u><u>2,819,271</u></u>

NOTES TO SCHEDULE

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

TATE COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2005

<u>Expenditures</u>		<u>Total</u>	<u>Instructional</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$	13,700,340	9,485,738	1,004,068	3,210,534
Other		<u>6,255,363</u>	<u>846,973</u>	<u>358,995</u>	<u>5,049,395</u>
Total	\$	<u>19,955,703</u>	<u>10,332,711</u>	<u>1,363,063</u>	<u>8,259,929</u>
Total number of students		2,767			
Cost per student	\$	7,212	3,734	493	2,985

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

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

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

Other - includes all expenditure functions not included in Instruction or Administrative

TATE COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

TATE COUNTY SCHOOL DISTRICT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Tate County School District

We have audited the financial statements of Tate County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 14, 2005. 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

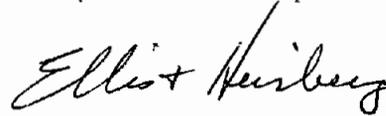
In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the school district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2005-1, 2005-2, and 2005-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not also necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, 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*.

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



November 14, 2005

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

Superintendent and School Board
Tate County School District

Compliance

We have audited the compliance of the Tate 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, 2005. The school district's major federal programs are identified in the summary of auditors' 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.

As described in finding 2005-4 in the Schedule of Findings and Questioned Costs, the school district did not comply with requirements regarding reporting that are applicable to claims for reimbursement on meals. Compliance with such requirements is necessary, in our opinion, for the school district to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Tate 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, 2005.

Internal Control Over Compliance

The management of the Tate 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our opinion, could adversely affect the school district's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2005-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is a material weakness.

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.



November 14, 2005

TATE COUNTY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

TATE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
Tate County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 14, 2005. 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*.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$102,565 of Classroom Supply Funds carried over from previous years.

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

1. Finding

During our examination of payroll expenditures, we noted that the board minutes failed to document the employees' rate of pay.

Recommendation

The district should comply with Sections 37-7-301 and 37-9-23, Miss. Code Ann. (1972), which establish the duties of the school board to employ all employees of the district and fix the duties and compensation of such personnel. This should be properly documented in the board minutes.

School District's Response

The district will insure that pay rates will be properly authorized and documented.

2. Finding

During our examination of disbursements, we noted that evidence of receipt of goods was not always documented.

Recommendation

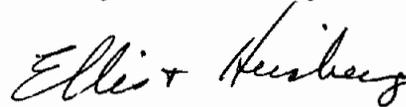
The district should follow the guidelines as outlined in the "Financial Accounting Manual for Mississippi Public School Districts" in establishing its purchase routines.

School District's Response

We will follow the prescribed guidelines.

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

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.



November 14, 2005

TATE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|-----------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Qualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified | Yes |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Cluster: Child Nutrition Cluster
School Breakfast
CFDA # 10.553

National School Lunch
CFDA # 10.555 | |
| b. | Program name: Title I - Grants to Local Educational Agencies
CFDA # 84.010 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit 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? | Yes |

TATE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 2: Financial Statement Findings

Material Weaknesses

2005-1 Finding

Bank reconciliation for district maintenance did not include \$267,266.33 as a deposit in transit from cafeteria fund. The cafeteria fund had recorded the amount as outstanding checks. Thus, district maintenance should have reported the amounts as a deposit in transit.

Recommendation

Additional training classes covering bank reconciliations would be beneficial for those performing bank reconciliations.

Reportable Conditions Not Considered to be Material Weaknesses

2005-2 Finding

A review of employees' personnel files indicated that authorization for deductions from an employee's check was not present in a number of cases.

Recommendation

Personnel should be updated for current employees to include authorizations for current deductions.

2005-3 Finding

Activity fund reporting was examined for the month of March for each school. The reports did not agree with the supporting invoices for the following schools: East Tate Elementary, Strayhorn Elementary, Coldwater High School, Coldwater Elementary and Vo-tech. In addition, Vo-tech receipts did not agree to recap sheet for the month.

Recommendation

Documentation and reporting requirements for activity fund accounting should be reviewed in the "Financial Accounting Manual for Mississippi Public School Districts".

Section 3: Federal Award Findings and Questioned Costs

Material Noncompliance / Material Weaknesses

2005-4 Finding

Program: Child Nutrition Cluster CFDA # 10.553 and 10.555.

Compliance Requirement: Reporting

Questioned Cost: None

TATE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Condition Found: The claim for reimbursement on meals for November 2004 was more than 60 days late. This was the second offense for the school district and as a result the claim of \$87,262.09 was denied. An appeal was failed later and the claim was eventually approved and expected to be received in November 2005. The condition existed due to a change in software and the lack of staff in the food service area.

Recommendation: The new software program is in place and a part-time staff has been added. Monitoring of human resource requirements for each area of the school is essential to keep the appropriate number of qualified staff, especially in areas responsible for funding request for grants.

TATE COUNTY SCHOOL DISTRICT

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TATE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN & SUMMARY OF PRIOR AUDIT FINDINGS

TATE COUNTY SCHOOL DISTRICT

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Tate County School District



Leroy Crockett Building
107 Court Street
Senatobia, Mississippi 38668
Telephone (662) 562-5861
Fax (662) 562-8516

GARY W. WALKER
SUPERINTENDENT OF EDUCATION

As required by Section ____ .315(c) of OMB Circular A-133, the Tate County School District has prepared and hereby submits the following corrective action plan for the findings in the Schedule of Findings for the year ended June 30, 2005:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2005-1	<p>a. Name of contact person responsible for corrective action:</p> <p>Michael Schwartz, Business Manager 662-562-5861</p> <p>b. Corrective Action Planned:</p> <p>Additional training in the area of bank reconciliations will be obtained.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2006</p>
2005-2	<p>a. Name of contact person responsible for corrective action:</p> <p>Michael Schwartz, Business Manager 662-562-5861</p> <p>b. Corrective Action Planned:</p> <p>Personnel files will be revised and updated for withholding authorizations.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2006</p>
2005-3	<p>a. Name of contact person responsible for corrective action:</p> <p>Michael Schwartz, Business Manager 662-562-5861</p> <p>b. Corrective Action Planned:</p> <p>Documentation requirements concerning activity funds will be discussed with principals.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2006</p>

2005-4

a. Name of contact person responsible for corrective action:

Michael Schwartz, Business Manager
662-562-5861

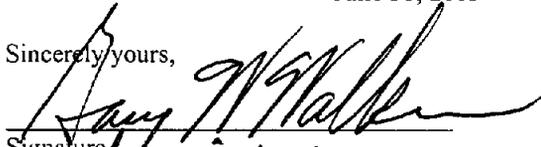
b. Corrective Action Planned:

A part-time staff person has been hired to assist in this area.

c. Anticipated Completion Date:

June 30, 2005

Sincerely yours,



Signature



Title

Tate County School District



Leroy Crockett Building
107 Court Street
Senatobia, Mississippi 38668
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Fax (662) 562-8516

GARY W. WALKER
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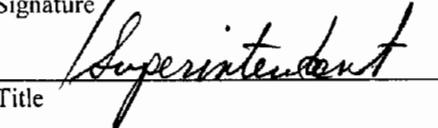
SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the Tate County School District has prepared and hereby submits the following summary of prior audit findings as of June 30, 2005.

Finding

2003-8 We are still working on this finding.

Sincerely yours,


Signature


Title

TATE COUNTY SCHOOL DISTRICT

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