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Tate County School District
Audited Financial Statements
June 30, 2006

J.E. Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

**Tate County School District
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J.E. FORTENBERRY, III, PC

Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY INFORMATION**

Superintendent and School Board
Tate County School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2006, 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. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Tate County School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 3, 2006 on my consideration of the Tate County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 47 through 50 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

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



J.E. Fortenberry, III, PC
October 3, 2006

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$1,846,108, which represents a 33% decrease from fiscal year 2005.
- General revenues account for \$16,861,509, or 81% of all revenues. This amount was more than the general revenues for the year 2005, which consisted of \$14,476,898, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,932,631, 19% of total revenues compared to \$3,887,569 in 2005.
- The district had \$22,640,248 in expenses, amount that increased when compared with the \$18,229,603 in expenses for the prior year; only \$3,932,631 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$16,861,509 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,898,186 in revenues and \$14,463,263 in expenditures. In 2005 the General Fund had \$13,876,965 in revenues and \$13,438,786 in expenditures. The General Fund's fund balance decreased by \$438,256.
- Capital assets, net of accumulated depreciation, increased by \$10,913,408 due primarily to the addition of construction in progress.
- Long-term debt decreased by \$888,483.

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 17 and 18 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. Both the governmental fund balance sheet and the govern-

mental 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 22 and 26, respectively.

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

The basic governmental fund financial statements can be found on pages 20 and 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 comprised of the Payroll Clearing Fund, Club Funds, Accounts Payable Clearing Funds, and the Bert Johnson Scholarship Fund. 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 27.

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 29-46 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 48-50 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 52 and 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 \$3,751,253 as of June 30, 2006.

The largest portion of the District's net assets is a negative number. The District uses the capital

assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 and 2005:

	2006	2005	Percentage Change
Assets			
Current assets	\$ 7,321,733	19,232,882	-62%
Capital assets, net	21,135,430	10,222,022	107%
Total assets	28,457,163	29,454,904	-3%
Liabilities			
Current liabilities	830,403	1,029,677	-19%
Long-term liabilities	23,875,507	22,759,286	5%
Total liabilities	24,705,910	23,788,963	4%
Net Assets			
Invested in capital assets, net of related debt	(2,638,587)	(12,440,478)	-79%
Restricted	5,307,168	16,541,760	-68%
Unrestricted	1,082,672	1,564,659	-31%
Total Net Assets	\$ 3,751,253	5,665,941	-34%

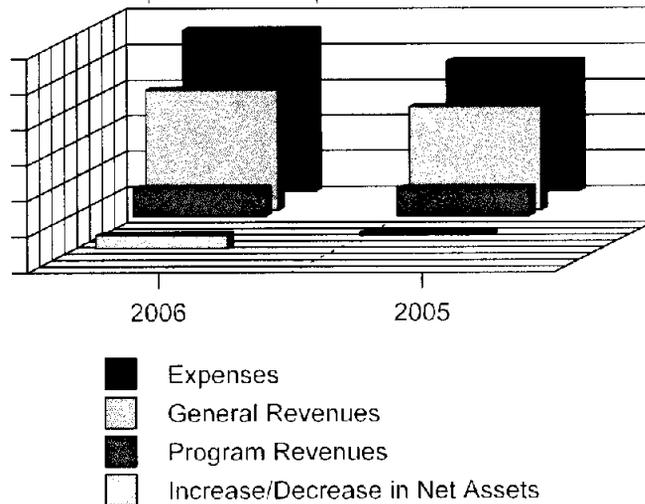
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$888,483 of long-term debt as well as an inception of a general obligation lease of \$2,000,000.
- The addition of \$11,353,276 in construction in progress, a non-depreciable capital asset.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$20,794,140. The total cost of all programs and services was \$22,640,248. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006.

	2006	2005	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 349,355	601,550	-42%
Operating Grants and Contributions	3,496,792	3,286,019	6%
Capital Grants and Contributions	86,484	-	100%
Total Program Revenues	3,932,631	3,887,569	1%
General Revenues			
Property Taxes	3,479,104	2,125,474	64%
Unrestricted Grants and Contributions	12,683,416	12,190,460	4%
Unrestricted Investment Earnings	508,535	157,956	222%
Other	190,454	3,008	6232%
Total General Revenues	16,861,509	14,476,898	16%
Total revenues	20,794,140	18,364,467	13%
Expenses			
Instruction	14,035,472	10,504,558	34%
Support services	6,191,885	5,790,077	7%
Non-instructional	1,362,732	1,439,890	-5%
Interest on long-term liabilities	1,050,159	495,078	112%
Total expenses	22,640,248	18,229,603	24%
Increase (Decrease) in net assets	(1,846,108)	134,864	-1469%
Net Assets, July 1	5,665,941	5,776,826	-2%
Prior Period Adjustment	(68,580)	(245,749)	-72%
Net Assets, June 30	\$ 3,751,253	5,665,941	-34%

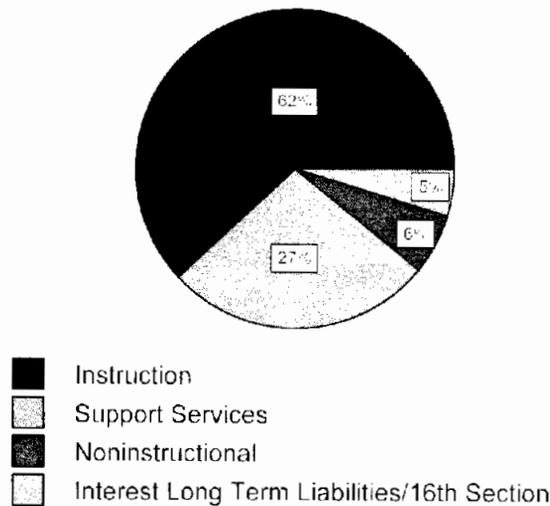
Comparative Chart as per Statement of Activities



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.

			2006	2005
	2006	2005	Net (Expense)	Net (Expense)
	Expenses	Expenses	Revenue	Revenue
Instruction	\$ 14,035,472	10,504,558	(12,809,558)	(8,525,272)
Support Services	6,191,885	5,790,077	(4,704,476)	(4,934,323)
Non-Instructional	1,362,732	1,439,890	(143,424)	(387,361)
Interest on Long-Term Liabilities	1,050,159	495,078	(1,050,159)	(495,078)
	\$ 22,640,248	18,229,603	(18,707,617)	(14,342,034)

Expenses as per Statement of Activities



- Net cost of governmental activities (\$18,707,617), was financed by general revenue, which is made up of primarily property taxes (\$3,479,104) and state revenue (\$12,588,1-22).

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 \$6,647,343, a decrease of \$11,804,003. \$3,201,587 or 48% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved general funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. For example, debt service fund balance is to be used to retire the District's debt. The remaining fund balance of \$3,445,756 or 52% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$438,256. The fund balance of Other Governmental Funds showed an increase of \$503,262.

BUDGETARY HIGHLIGHTS

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

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred.

- Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budget amounts for facilities acquisition and construction expenditures were decreased due primarily to school construction being delayed until the next fiscal year.

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, 2006, the District's total capital assets were \$27,930,825, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$11,560,553 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$6,795,395 and total depreciation expense for the year was \$772,659, resulting in total net capital assets of \$21,135,430.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	\$ 469,540	469,540	0%
Construction in progress	12,609,987	1,256,711	903%
Buildings	7,238,159	7,227,720	0%
Mobile equipment	788,058	1,196,583	-34%
Furniture and equipment	29,686	71,468	-58%
	<u>\$ 21,135,430</u>	<u>10,222,022</u>	<u>107%</u>

Additional information of the District's capital assets can be found in Note 4 on page 37 of this report.

Debt Administration. At June 30, 2006, the District had \$18,080,000 in general obligation bonds outstanding and \$5,795,507 other long-term debt outstanding, of which \$1,274,088 is due within one year.

			Percentage
	2006	2005	Change
General obligation bonds payable	\$ 18,080,000	18,505,000	-2%
Limited obligation bonds payable	3,385,000	3,590,000	-6%
Loans payable	187,500	0	100%
Transportation equipment loans Payable	0	375,000	-100%
General obligation lease	1,956,517	0	100%
Installment purchase loans payable	165,000	192,500	-14%
Compensated absences	101,490	96,786	5%
	<u>\$ 23,875,507</u>	<u>22,759,286</u>	<u>5%</u>

The District maintains a AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 39 of this report.

CURRENT ISSUES

The Tate County District is financially stable and has experienced stable, even slightly increasing enrollment since FY 2001. The Monthly Attendance Record submitted to the Mississippi

Department of Education for Month 9, FY 05, shows enrollment to be 2,527 students. The District is proud of its community support of the public schools.

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

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.

FINANCIAL STATEMENTS

TATE COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 5,872,886
<i>Investments</i>	592,313
<i>Due from other governments</i>	826,981
<i>Inventories and prepaid items</i>	29,553
<i>Capital assets, not being depreciated</i>	
<i>Land</i>	469,540
<i>Construction in progress</i>	12,609,987
<i>Capital assets, net of accumulated depreciation</i>	
<i>Buildings</i>	7,238,159
<i>Mobile equipment</i>	788,058
<i>Furniture and equipment</i>	29,686
Total Assets	<u>28,457,163</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	636,422
<i>Interest payable on long-term liabilities</i>	156,013
<i>Other payables</i>	37,968
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	1,269,013
<i>Non-capital related liabilities</i>	5,075
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	22,505,004
<i>Non-capital related liabilities</i>	96,415
Total Liabilities	<u>24,705,910</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(2,638,587)
Restricted For:	
School Based Activities	181,354
Debt Service	808,774
Capital Improvements	4,258,307
Unemployment Benefits	58,733
Unrestricted	1,082,672
Total Net Assets	<u>\$ 3,751,253</u>

The accompanying notes are an integral part of this statement.

TATE COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					Governmental Activities
Governmental Activities:					
Instruction	14,035,472	349,355	790,075	86,484	(12,809,558)
Support services	6,191,885	--	1,487,409	--	(4,704,476)
Noninstructional services	1,362,732	--	1,219,308	--	(143,424)
Interest on long-term liabilities	1,050,159	--	--	--	(1,050,159)
Total Primary Government	\$ 22,640,248	\$ 349,355	\$ 3,496,792	\$ 86,484	(18,707,617)
General Revenues:					
Taxes:					
General purpose levies					2,048,401
Debt purpose levies					1,430,703
Unrestricted grants and contributions:					
State					12,588,122
Federal					95,294
Unrestricted investment earnings					508,535
Other					190,454
Total general revenues					16,861,509
Change in Net Assets					(1,846,108)
Net Assets - Beginning					5,665,941
Prior Period Adjustment					(68,580)
Net Assets - Restated					5,597,361
Net Assets - Ending					\$ 3,751,253

The accompanying notes are an integral part of this statement.

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TATE COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General Fund</u>	<u>Local GO Bond Issue 2004</u>
ASSETS		
<i>Cash and cash equivalents</i>	\$ 686,181	\$ 69,058
<i>Investments</i>	567,307	--
<i>Due from other governments</i>	270,266	--
<i>Due from other funds</i>	112,583	--
<i>Inventories and prepaid items</i>	--	--
Total Assets	<u>\$ 1,636,337</u>	<u>\$ 69,058</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 49,212	\$ 369,420
<i>Due to other funds</i>	--	--
<i>Other payables</i>	37,968	--
Total Liabilities	<u>87,180</u>	<u>369,420</u>
Fund balances:		
Reserved for:		
<i>Inventory</i>	--	--
<i>Unemployment</i>	--	--
<i>Capital project funds</i>	--	--
Unreserved, undesignated, reported in:		
<i>General fund</i>	1,549,157	--
<i>Special Revenue funds</i>	--	--
<i>Capital projects funds</i>	--	(300,362)
<i>Debt service funds</i>	--	--
Total Fund Balances	<u>1,549,157</u>	<u>(300,362)</u>
Total Liabilities and Fund Balances	<u>\$ 1,636,337</u>	<u>\$ 69,058</u>

EXHIBIT C

Local GO Bond Issue 2005	Other Governmental Funds	Total Governmental Funds
\$ 4,403,656	\$ 713,991	\$ 5,872,886
274	24,732	592,313
-	556,715	826,981
-	72,990	185,573
-	29,553	29,553
<u>\$ 4,403,930</u>	<u>\$ 1,397,981</u>	<u>\$ 7,507,306</u>
\$ 212,611	\$ 5,179	\$ 636,422
-	185,573	185,573
-	-	37,968
212,611	190,752	859,963
-	29,553	29,553
-	58,733	58,733
3,357,470	-	3,357,470
-	-	1,549,157
-	112,774	112,774
833,849	367,350	900,837
-	638,819	638,819
4,191,319	1,207,229	6,647,343
<u>\$ 4,403,930</u>	<u>\$ 1,397,981</u>	<u>\$ 7,507,306</u>

TATE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances - governmental funds balance sheet	\$ 6,647,343
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	21,135,430
Liabilities due in one year are not reported in the funds	(1,274,088)
Payables for bond principal which are not due in the current period are not reported in the funds.	(20,545,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,822,504)
Payables for bond interest which are not due in the current period are not reported in the funds.	(156,013)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(96,415)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	<u>(137,500)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 3,751,253</u>

The accompanying notes are an integral part of this statement.

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TATE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Local GO Bond Issue 2004
Revenue:		
Local sources	\$ 2,457,622	\$ 108,028
State sources	12,345,270	--
Federal sources	95,294	--
Total revenues	<u>14,898,186</u>	<u>108,028</u>
Expenditures:		
Instruction	9,047,031	5,574
Support services	5,102,066	844
Noninstructional services	150,390	--
Facilities acquisition and construction	56,453	8,643,730
Debt service:		
Principal	60,058	--
Interest	47,265	--
Total expenditures	<u>14,463,263</u>	<u>8,650,148</u>
Excess (deficiency) of revenues (over) expenditures	434,923	(8,542,120)
Other financing sources (uses):		
Inception of capital leases	--	--
Sale of transportation equipment	1,950	--
Sale of other property	400	--
Operating transfers in	1,418,060	--
Operating transfers out	(2,245,971)	--
Other financing uses	(47,618)	--
Total other financing sources (uses)	<u>(873,179)</u>	<u>--</u>
Net change in fund balance	(438,256)	(8,542,120)
Fund Balances:		
July 1, 2005	1,987,413	8,241,758
Prior period adjustments	--	--
July 1, 2005 as restated	1,987,413	8,241,758
Increase (decrease) in reserve for inventory	--	--
June 30, 2006	<u>\$ 1,549,157</u>	<u>\$ (300,362)</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Local GO Bond Issue 2005	Other Governmental Funds	Total Governmental Funds
\$ 291,617	\$ 1,834,467	\$ 4,691,734
-	913,317	13,258,587
-	2,752,828	2,848,122
<u>291,617</u>	<u>5,500,612</u>	<u>20,798,443</u>
111,940	2,257,897	11,422,442
20,364	914,079	6,037,353
-	1,125,829	1,276,219
3,432,203	1,632,650	13,765,036
-	828,425	888,483
-	1,066,381	1,113,646
<u>3,564,507</u>	<u>7,825,261</u>	<u>34,503,179</u>
(3,272,890)	(2,324,649)	(13,704,736)
-	2,000,000	2,000,000
-	-	1,950
-	-	400
-	996,809	2,414,869
-	(168,898)	(2,414,869)
(53,999)	-	(101,617)
<u>(53,999)</u>	<u>2,827,911</u>	<u>1,900,733</u>
(3,326,889)	503,262	(11,804,003)
7,518,208	781,794	18,529,173
-	(68,580)	(68,580)
7,518,208	713,214	18,460,593
-	(9,247)	(9,247)
<u>\$ 4,191,319</u>	<u>\$ 1,207,229</u>	<u>\$ 6,647,343</u>

TATE COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ (11,804,003)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	11,686,067
The depreciation of capital assets used in governmental activities is not reported in the funds.	(772,659)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	630,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	43,483
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	215,000
(Increase) decrease in accrued interest from beginning of period to end of period	169,955
Change in inventory is adjustment to Fund Balance in funds but affects non-instructional EX in SOA	(9,247)
Proceeds from LTD Issuance are reported in the funds but not in the SOA	(2,000,000)
Additions to compensated absences are not reported in the governmental activities	(4,704)
Change in net assets of governmental activities - statement of activities	<u>\$ (1,846,108)</u>

The accompanying notes are an integral part of this statement.

TATE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 833,411
Total Assets and Other Debits	<u>\$ 833,411</u>
LIABILITIES	
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 792,657
<i>Due to student clubs</i>	40,754
Total Liabilities	<u>\$ 833,411</u>

The accompanying notes are an integral part of this statement.

Tate County School District

Notes to the Financial Statements
June 30, 2006

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all the funds of the reporting entity except for the 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 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

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

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. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds 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 so 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.

Local GO Bond Issue 2004 - This fund is used to account for the construction and renovations financed by the 2004 Bond Issue.

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Local GO Bond Issue 2005 - This fund is used to account for the construction and renovations financed by the 2005 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 Project 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.

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

FIDUCIARY FUNDS

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 result of operations.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

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 account and certificates of deposit with maturities of twelve 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 type described in Sections 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 of greater than twelve months when acquired. Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated inventories 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 cost of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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

Capital Assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

fair value at the time received.

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

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

(*) The threshold amounts will correspond with the amounts for the asset classifications, as listed. See **Note 5** 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. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See **Note 6** 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 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

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

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

M. Property Taxes.

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Ad valorem property taxes are levied by the governing authorities 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 policy of the school district. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(2) Change in Accounting Standards.

As required, the Tate County School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

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

Cash and Cash Equivalents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

imposed by statutes as follows:

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

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

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$5,872,886, and \$833,411 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$5,872,886. The bank balance was \$8,241,023.

Custodial Credit Risk - Deposits. Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$8,241,023 was exposed to custodial credit risk.

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Investments.

As of June 30, 2006, the district had the following investments in the Hancock Bank's Trust Department investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
Treasury Securities Money Market Funds	N/A	\$ <u>24,732</u>	A
Total Investments		\$ <u><u>24,732</u></u>	

As of June 30, 2006, the district had the following investments in the Mississippi Education investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
Pool B	N/A	\$ <u>567,581</u>	A
Total Investments		\$ <u><u>567,581</u></u>	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments of underlying securities are held by the investment's counterparty, not in the name of the district. As of June 30, 2006, \$592,313 of the district's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 0
Uninsured and collateral held by pledging bank's trust department not in the district's name	<u>592,313</u>
Total	<u><u>\$ 592,313</u></u>

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Mississippi Education Investment Pool B	567,581	96%
Hancock Horizon Treasury Sec. Money Market CI A	24,732	4%
	<u>\$ 592,313</u>	<u>100%</u>

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General Fund	\$ 112,583	\$ 0
Other governmental funds	<u>72,990</u>	<u>185,573</u>
Total Funds	\$185,573	\$185,573

The purpose of the Due From/To other funds balances was to reclassify ad-valorem revenue and fund operational deficits. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ 1,418,060	\$ 2,245,971
Other governmental Funds	<u>996,809</u>	<u>168,898</u>
Total Funds	\$2,414,869	\$2,414,869

The purpose of the transfers was to net some expenses in prior year audit. All transfers were routine and consistent with the fund making the transfer.

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

(5) Capital Assets.

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

	Balance 7-01-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 469,540					469,540
Construction in progress	1,256,711	11,353,276		0		12,609,987
Total non-depreciable capital assets	1,726,251	11,353,276	0	0	0	13,079,527
<u>Depreciable capital assets:</u>						
Buildings	11,409,832	332,791				11,742,623
Improvements other than buildings	0					0
Mobile equipment	2,892,724		125,514			2,767,210
Furniture and equipment	341,465					341,465
Total depreciable capital assets	14,644,021	332,791	125,514	0	0	14,851,298
<u>Less accumulated depreciation for:</u>						
Buildings	4,182,112	322,352			0	4,504,464
Improvements other than buildings	0					0
Mobile equipment	1,696,141	408,525	125,514			1,979,152
Furniture and equipment	269,997	41,782				311,779
Total accumulated depreciation	6,148,250	772,659	125,514	0	0	6,795,395
Total depreciable capital assets, net	8,495,771	(439,868)	0	0	0	8,055,903
Governmental activities capital assets, net	\$ 10,222,022	10,913,408	0	0	0	21,135,430

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 540,861
Support Services	154,532
Non-instructional	<u>77,266</u>
Total depreciation expense	<u>\$ 772,659</u>

Commitments under construction contracts at June 30, 2006, are summarized as follows:

Remaining
Commitment

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Independence High School Construction	\$ 982,955
Strayhorn High School Construction	1,395,131
Coldwater Elementary	431,452
Coldwater Elementary School Cafeteria Equipment	57,426
Independence High School Cafeteria Equipment	31,322
Strayhorn Elementary School Cafeteria Equipment	75,041
Independence High School Box Culvert	136,526
Independence High School Waste Water	29,425
Independence High School Well Water	218,192
Total	<u>\$ 3,357,470</u>

(6) Long-term liabilities.

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

	Balance 7-1-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. General obligation bonds payable	\$ 18,505,000		425,000		18,080,000	700,000
B. Limited obligation bonds payable	3,590,000		205,000		3,385,000	220,000
C. Transportation equipment loans payable	375,000		187,500		187,500	187,500
D. General obligation lease	0	2,000,000	43,483		1,956,517	134,013
E. Installment purchase loan payable	192,500		27,500		165,000	27,500
F. Compensated absences payable	96,786	4,704			101,490	5,075
Total	<u>\$ 22,759,286</u>	<u>2,004,704</u>	<u>888,483</u>	<u>0</u>	<u>23,875,507</u>	<u>1,274,088</u>

A. General obligation bonds payable.

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, (Series 1998)	Varies	02-01-98	02-01-18	\$ 2,000,000	1,420,000
General obligation bonds, (Series 2004)	Varies	12-21-04	06-01-20	9,500,000	9,310,000

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

General obligation bonds, (Series 2005)	Varies	06-21-05	06-01-22	<u>7,500,000</u>	<u>7,350,000</u>
Total				<u>\$19,000,000</u>	<u>18,080,000</u>

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 700,000	\$ 712,623	\$1,412,623
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	960,000	584,943	1,544,943
2012-2016	5,980,000	2,304,419	8,284,419
2017-2021	7,060,000	982,120	8,042,120
2022	<u>910,000</u>	<u>36,400</u>	<u>946,400</u>
Total	<u>\$18,080,000</u>	<u>\$6,577,138</u>	<u>\$24,657,138</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, 2006, the amount of outstanding bonded indebtedness was equal to 21.45% 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement	varies	03/98	03/18	\$4,640,000	\$3,385,000

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>
2007	\$ 220,000	\$ 155,183	\$ 375,183

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

2008	230,000	145,723	375,723
2009	240,000	135,660	375,660
2010	250,000	124,860	374,860
2011	260,000	113,360	373,360
2012-2016	1,485,000	374,835	1,859,835
2017-2021	<u>700,000</u>	<u>48,760</u>	<u>748,760</u>
Total	<u>\$3,385,000</u>	<u>\$1,098,381</u>	<u>\$4,483,381</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi 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 fund 4041 (MAEP Retirement 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%	7/20/04	9/1/06	\$375,000	\$187,500

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

<u>Year Ending</u> <u>June 30,</u> 2007	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$187,500</u>	<u>\$16,625</u>	<u>\$204,125</u>

This debt will be retired from the 4021 fund.

D. General Obligation Lease.

The school district has entered into general obligation lease based on the need to lease school facilities.

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>
2007	\$ 134,013	76,580	210,593
2008	139,529	71,064	210,593

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

2009	145,271	65,322	210,593
2010	151,250	59,343	210,593
2011	157,475	53,118	210,593
2012 - 2016	890,095	162,871	1,052,966
2017 - 2021	<u>338,884</u>	<u>12,108</u>	<u>350,992</u>
Total	\$ <u>1,956,517</u>	<u>500,406</u>	<u>2,456,923</u>

This debt will be retired from the School Lease Issue Fund.

E. Installment purchases loans payable.

The school district has entered into an installment purchases agreement under Miss. Code Ann. 37-7-301. Property under this installment purchases agreement is composed of a fifty-four (54) 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%	9/15/03	9/15/11	\$220,000	\$165,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	27,500	2,062	29,562
2012	<u>27,500</u>	<u>2,063</u>	<u>29,563</u>
Total	<u>\$165,000</u>	<u>\$28,877</u>	<u>\$193,877</u>

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.

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 employee's salaries were paid.

(7) Defined Benefit Pension Plan.

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

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 rate for the fiscal year ending June 30, 2006 was 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005, and 2004 were \$1,199,502, \$995,024, and \$952,845, respectively, which equaled the required contributions for each year.

(7) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workman's 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 Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, 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

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

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.

(8) 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.

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 Balances is presented to detail the financial activity of the Senatobia - Tate County Regional Vocational Education Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2006

Revenues	
Local sources	
Tuition from other LEA's within the state:	
Senatobia School District	\$ 58,736
Taxes	93,821
Total tuition from other LEA's within the state	<u>152,557</u>
Total Revenues	<u>152,557</u>
Expenditures	
Salaries	108,814
Employee benefits	62,753
Purchased professional and technical services	210
Purchased property services	27,176
Other purchased services	747

Tate County School District

Notes to Financial Statements
For the Year Ended June 30, 2006

Supplies	12,494
Property	348
Total Expenditures	<u>212,542</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(59,985)</u>
Other Financing Sources/Uses:	
Transfers In	71,284
Total Other Financing Sources/Uses	<u>71,284</u>
Net Change in Fund Balance	<u>11,299</u>
Fund Balance:	
July 1, 2005	466
Prior period adjustments: (Note)	322
July 1, 2005, as restated	<u>788</u>
June 30, 2006	<u>\$ 12,087</u>

(9) Subsequent Events.

On July 3rd, 2006 the Tate County School District incurred in long term debt obligations, limited-tax notes, series 2006 in the amount of \$470,000. The Series 2006 will bear interest at 5.37%, and will mature in the year 2008.

(10) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. During the prior fiscal year the Food Service Fund bank account was not reconciled as discussed in the Schedule of Findings and Questioned Costs on page 62. While reconciling this checking account it was determined that the account was \$68,580 short and so recorded as a prior period adjustment of that amount. Because this \$68,580 could not be documented as required by OMB Circular A-87 this amount was repaid to the Food Service bank account from District Maintenance in the fiscal year ending June 30, 2007.	\$ <u>(68,580)</u>
Total	\$ <u>(68,580)</u>

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

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
Other Governmental Funds	See Explanation Above	\$ <u>(68,580)</u>
	Total	\$ <u>(68,580)</u>

REQUIRED SUPPLEMENTARY INFORMATION

TATE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,167,422	2,170,786	2,457,622	3,364	286,836
State sources	12,735,521	12,735,521	12,345,270	0	(390,251)
Federal sources	24,600	24,600	95,294	0	70,694
Total Revenues	14,927,543	14,930,907	14,898,186	3,364	(32,721)
Expenditures:					
Instruction	8,600,661	9,126,727	9,047,031	(526,066)	79,696
Support services	4,874,176	4,933,794	5,102,066	(59,618)	(168,272)
Noninstructional services	200,000	216,500	150,390	(16,500)	66,110
Facilities acquisition and construction		56,453	56,453	(56,453)	0
Debt Service					0
Principal	27,500	70,983	60,058	(43,483)	10,925
Interest	9,625	36,339	47,265	(26,714)	(10,926)
Total Expenditures	13,711,962	14,440,796	14,463,263	(728,834)	(22,467)
Excess (Deficiency) of Revenues Over Expenditures	1,215,581	490,111	434,923	(725,470)	(55,188)
Other Financing Sources (Uses):					
Sale of transportation equipment			1,950	0	1,950
Sale of other property			400	0	400
Transfers In	1,290,934	1,290,934	1,418,060	0	127,126
Other Financing Uses		(1,400)	(47,618)	(1,400)	(46,218)
Transfers out	(2,337,347)	(2,339,097)	(2,245,971)	(1,750)	93,126
Total Other Financing Sources (Uses)	(1,046,413)	(1,049,563)	(873,179)	(3,150)	176,384
Net Change in Fund Balances	169,168	(559,452)	(438,256)	(728,620)	121,196
Fund Balances:					
July 1, 2005			1,987,413	0	1,987,413
Prior period adjustments					0
July 1, 2005, as restated	0	0	1,987,413	0	1,987,413
June 30, 2006	\$ 169,168	(559,452)	1,549,157	(728,620)	2,108,609

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Tate County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Tate County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$64,965
Child Nutrition Cluster:		
School Breakfast Program	10.553	232,483
National School Lunch Program	10.555	801,744
Total child nutrition cluster		<u>1,034,227</u>
Total passed-through the MDE		<u>1,099,192</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>1,099,192</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	75,145
Total Federal Communication Commission		<u>75,145</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	716,894
Vocational Education - Basic Grant to States	84.048	50,525
Safe and Drug Free Schools and Communities - State Grants	84.186	18,798
Eisenhower Professional Development - State Grants	84.281	213,037
State Grants for Innovative Programs	84.298	17,636
Education Technology State Grants	84.318	14,294
Improving Teacher Quality - State Grants	84.367	4,303
Grants for State Assessments and Related Activities	84.369	17,428
Hurricane Education Recovery	84.938	69,995
Special Education Cluster:		
Special Education - Grants to States	84.027	564,602
Special Education - Preschool Grants	84.173	28,936
Total special education cluster		<u>593,538</u>
Total passed-through the MDE		<u>1,716,448</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,716,448</u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$2,890,785</u></u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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, 2006

Expenditures	Total	Instruction and Other Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 15,130,332	11,730,166	617,852	895,441	1,886,873
Other	19,372,847	1,227,957	181,367	111,496	17,852,027
Total	\$ 34,503,179	12,958,123	799,219	1,006,937	19,738,900

Total number of students * 2,527

Cost per student \$ 13,654 5,128 316 398 7,811

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)
 General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)
 School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)
 Other - includes all expenditure functions not included in Instruction or Administration categories

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Tate County School District

I 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, 2006, which collectively comprise Tate County School District's basic financial statements and have issued my report thereon dated October 3, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of 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 2006-1, and 2006-2.

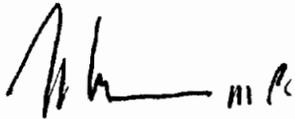
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 I consider items 2006-1, and 2006-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted a certain immaterial instance

of noncompliance that I have reported to management of the school district in a separate letter dated October 3, 2006 which is included in this report.

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.



J.E. Fortenberry, III, PC
October 3, 2006

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Tate County School District

Compliance

I 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, 2006. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the 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, 2006.

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 my audit, I 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 my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention

relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, 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 2006-1.

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 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. My 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 necessarily disclose all reportable conditions that are considered to be material weaknesses. However, I 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.



J.E. Fortenberry, III, PC
October 3, 2006

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Tate County School District

I 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, 2006, which collectively comprise Tate County School District's basic financial statements and have issued my report thereon dated October 3, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of my procedures to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number one (1) below. The district reported \$20,597.91 classroom supply funds carried over from previous years.

Finding #1

Section 37-61-33, Miss. Code Ann. (1972), requires that Mississippi Public School Districts allocate Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers in the school district. Section 37-61-33, Miss. Code Ann. (1972), further defines "teacher" for this statute and specifically excludes all federally-funded teachers from being included in the allocation process. Tate County School District allocated classroom supplies to four (4) teachers that were federally funded classroom teachers.

Recommendation

The district should comply with Section 37-61-33 (3)(a)(iii), Miss. Code Ann. (1972), which requires the district to allocate Education Enhancement Funds (EEF) classroom supply funds equally among all classroom teachers but to preclude allocation to federally-funded teachers.

School District's Response

The district will comply with Section 37-61-33, Miss. Code Ann. (1972).

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

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.



J.E. Fortenberry, III, PC
October 3, 2006

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Tate County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

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 weaknesses identified? Yes.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses identified? Yes.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
 - b. Title I Grants to Local Educational Agencies.
CFDA# 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs was: \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Financial Statement Findings

Material Weaknesses

2006-1 Finding

The Mississippi Financial Accounting Manual requires on Section B (Miscellaneous Issues), subsection G that the school district reconcile all depository accounts monthly. The Food Service bank account was not reconciled monthly because the district's personnel did not give priority to the bank reconciliations. This could cause the district's accounting records to be inaccurate.

Recommendation

Bank reconciliations are foundational for the stewardship of cash especially in the context of a food program that is uncharacteristically not self-supporting. Priority should be given to providing management with timely monthly bank reconciliations in order for further food service analytical reviews and oversight.

2006-2 Finding

The Mississippi Financial Accounting Manual prescribes on Section D (Purchasing) the school district to acknowledge the receipt of the good or service. Twenty of the fifty-three purchases tested did not document an acknowledgment of the receipt of the purchased good or service by an employee of the district. By the district's employees not adhering to the aforementioned policy this could cause the district to improperly pay invoices without receiving the good or service.

Recommendation

Receiving documentation requirements for purchasing should be reviewed as specified in the "Financial Accounting Manual for Mississippi Public School Districts" before a purchase is entered on the claims docket for payment and the district shall sign and date the invoice once acceptance has been made. This would avoid any misunderstanding or mis-communication concerning whether or when an invoice should be paid by the district.

Section 3: Federal Award Findings and Questioned Costs

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

Material Weaknesses

2006-1 Finding

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Recommendation

Bank reconciliations are foundational for the stewardship of cash especially in the context of a food program that is uncharacteristically not self-supporting. Priority should be given to providing management with timely monthly bank reconciliations in order for further food service analytical reviews and oversight.

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

Tate County School District
107 Court Street
Senatobia, MS 38668
Gary W. Walker - Superintendent
Mike Schwartz - Business Manager

AUDITEE'S SUMMARY SCHEDULE 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 schedule of prior audit findings as of June 30, 2006:

<u>Finding</u>	<u>Status</u>
2005-1	Not Corrected
2005-2	Corrected
2005-3	Corrected
2005-4	Corrected

Tate County School District
107 Court Street
Senatobia, MS 38668
Gary W. Walker - Superintendent
Mike Schwartz - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the Tate County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2006:

Finding

Corrective Action Plan Details

2006-1

a. Name of Contact Person Responsible for Corrective Action:

name: Mike Schwartz, Business Manager
phone number: 662-562-5861

b. Corrective Action Planned: Additional training in the area of bank reconciliations will be obtained.

c. Anticipated Completion Date: June 30, 2007

2006-2

a. Name of Contact Person Responsible for Corrective Action:

name: Mike Schwartz, Business Manager
phone number: 662-562-5861

b. Corrective Action Planned: Documentation requirements concerning purchasing will be reviewed and appropriate action will be taken.

c. Anticipated Completion Date: June 30, 2007