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CHICKASAW COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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JUNE 30, 2007**

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

Superintendent and School Board
Chickasaw County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2007, which collectively comprise the Chickasaw County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chickasaw County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2008, on our consideration of the Chickasaw County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

January 8, 2008
Tupelo, Mississippi

J E Vance & Company

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHICKASAW COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

The discussion and analysis of Chickasaw County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2007 decreased \$141,254, which represents a 6% decrease from fiscal year 2006. Total net assets for 2006 increased \$41,668, which represents a 2% increase from fiscal year 2005.
- General revenues account for \$3,294,148 and \$3,236,373 in revenue, or 79% and 77% of all revenues for fiscal years 2007 and 2006 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$887,767 or 21% of total revenues for 2007 and \$970,822 or 23% of total revenues for 2006.
- The District had \$4,323,268 and \$4,152,339 in expenses for fiscal years 2007 and 2006; only \$887,767 for 2007 and \$970,822 for 2006 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,294,148 for 2007 and \$3,236,373 for 2006 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$3,286,703 in revenues and \$3,318,162 in expenditures for 2007 and \$3,221,593 in revenues and \$3,120,865 in expenditures for 2006. The General Fund's fund balance decreased \$238,406 from 2006 to 2007 and decreased \$4,616 from 2005 to 2006.
- Capital assets, net of accumulated depreciation, decreased by \$73,015 for 2007 and decreased by \$11,593 for 2006. The decrease for 2007 was due to the disposal of a copier as well as in the increase in accumulated depreciation.
- Long-term debt increased by \$257,033 for 2007 and decreased by \$78,944 for 2006. This increase was due to the issuance of new debt in the amount of \$365,000 for the purpose of capital improvements. In addition, the liability for compensated absences decreased by \$1,454.

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 and interest on long-term liabilities.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, 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 17 and 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 21.

Notes to 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 22 - 38 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 special revenue fund. This required supplementary information can be found on pages 39 - 43 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 45 - 46 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 \$2,491,835 as of June 30, 2007 and by \$2,633,089 as of June 30, 2006.

By far the largest portion of the District's net assets (65% for 2007 and 60% for 2006) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2007 and June 30, 2006.

| | Net Assets | | Percentage |
|-------------------------------------------------|---------------------|---------------------|------------|
| | 2007 | 2006 | Change |
| Current assets | \$ 1,319,515 | \$ 1,127,760 | 17.00% |
| Capital assets, net | 2,341,001 | 2,414,016 | -3.02% |
| Total assets | <u>3,660,516</u> | <u>3,541,776</u> | 3.35% |
| Current liabilities | 56,826 | 53,865 | 5.50% |
| Long-term debt outstanding | 1,111,855 | 854,822 | 30.07% |
| Total liabilities | <u>1,168,681</u> | <u>908,687</u> | 28.61% |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 1,617,891 | 1,582,347 | 2.25% |
| Restricted | 292,826 | 197,253 | 48.45% |
| Unrestricted | 581,118 | 853,489 | -31.91% |
| Total net assets | <u>\$ 2,491,835</u> | <u>\$ 2,633,089</u> | -5.36% |

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

- Decrease in net capital assets in the amount of \$73,015.
- The issuance of long-term debt in the amount of \$365,000.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2007 and June 30, 2006 were \$4,181,915 and \$4,207,195, respectively. The total cost of all programs and services for 2007 was \$4,323,268 and \$4,152,339 for 2006. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and June 30, 2006.

| | Change in Net Assets | | Percentage Change |
|----------------------------------------------------------------|----------------------|------------------|----------------------|
| | 2007 | 2006 | |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 155,760 | \$ 148,071 | 5.19% |
| Operating grants and contributions | 715,592 | 806,341 | -11.25% |
| Capital grants and contributions | 16,415 | 16,410 | 0.03% |
| General revenues | | | |
| Property taxes | 543,510 | 543,861 | -0.06% |
| Grants and contributions not restricted | 2,687,523 | 2,622,435 | 2.48% |
| Other | 63,115 | 70,077 | -9.93% |
| Total revenues | <u>4,181,915</u> | <u>4,207,195</u> | -0.60% |
| Expenses: | | | |
| Instruction | 2,490,875 | 2,406,307 | 3.51% |
| Support services | 1,444,818 | 1,363,697 | 5.95% |
| Non-instructional services | 347,487 | 339,583 | 2.33% |
| Interest and other charges related to long-term liabilities | | | |
| | <u>40,088</u> | <u>42,752</u> | -6.23% |
| Total expenses | <u>4,323,268</u> | <u>4,152,339</u> | 4.12% |
| Change in net assets | \$ <u>(141,353)</u> | \$ <u>54,856</u> | -357.68% |

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional 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.

| | 2007 | | 2006 | |
|-----------------------------------|---------------------|--------------------------|---------------------|--------------------------|
| | Total Expenses | Net (Expense) Revenue | Total Expenses | Net (Expense) Revenue |
| Instruction | \$ 2,490,875 | \$ (2,109,209) | \$ 2,406,307 | \$ (1,960,688) |
| Support services | 1,444,818 | (1,261,534) | 1,363,697 | (1,155,043) |
| Non-instructional | 347,487 | (24,670) | 339,583 | (23,034) |
| Interest on long-term liabilities | 40,088 | (40,088) | 42,752 | (42,752) |
| Total expenses | <u>\$ 4,323,268</u> | <u>\$ (3,435,501)</u> | <u>\$ 4,152,339</u> | <u>\$ (3,181,517)</u> |

- Net cost of governmental activities (\$3,435,501 and \$3,181,517), was financed by general revenue, which is made up of primarily property taxes (\$543,510 for 2007 and \$543,861 for 2006) and state revenue (\$2,568,869 for 2007 and \$2,544,097 for 2006).
- Investment earnings accounted for \$51,654 for 2007 and \$44,219 for 2006 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,280,944, an increase of \$189,282. \$696,933 or 55% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$584,011 or 45% is reserved or designated to indicate that it is not available for spending because it has already been committed. The areas of commitment are as follows:

| | <u>2007</u> | <u>2006</u> |
|-----------------------|-------------------|-------------------|
| Unemployment Benefits | \$ 11,386 | \$ 11,182 |
| Inventory | 3,185 | 5,478 |
| Capital Projects | 429,341 | -0- |
| Debt Service | <u>140,099</u> | <u>159,161</u> |
| Total assets | <u>\$ 584,011</u> | <u>\$ 175,821</u> |

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 \$238,406. The fund balance of Other Governmental Funds showed an increase of \$96,270. The increases (decreases) in the fund balances for the other major funds were as follows: Title I - A Basic - \$0; EEF Buildings & Buses - (\$10); Renovation 1935 Building Fund - \$333,721.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$3,358,786, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$34,645 from 2006 to 2007 and an increase of \$101,200 from 2005 to 2006. Total accumulated depreciation was \$1,017,785 for 2007 and \$910,125 for 2006. Total depreciation expense was \$103,429 for 2007 and \$109,562 for 2006, resulting in total net assets of \$2,341,001 for 2007 and \$2,414,016 for 2006.

Additional information of the District's capital assets can be found in Note 4 on page 32 of this report.

Debt Administration. At June 30, 2007, the District had \$1,111,855 in long-term debt outstanding, of which \$119,277 is due within one year.

The District does not have an underlying bond rating.

Additional information of the District's long-term debt can be found in Note 5 on pages 33 - 36 of this report.

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Chickasaw County School District, P. O. Box 480 or 501 Griffin Avenue, Houlka, MS 38850.

FINANCIAL STATEMENTS

CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

| | | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|-----------------------------------------------------|----|-----------------------------------------------------------------------|
| Assets | | |
| Cash and cash equivalents (Note 3) | \$ | 1,213,589 |
| Due from other governments | | 102,550 |
| Other receivables, net | | 191 |
| Inventories and prepaid items | | 3,185 |
| Capital assets, not being depreciated: | | |
| Land | | 50,576 |
| Construction in progress | | 15,372 |
| Capital assets, net of accumulated depreciation: | | |
| Buildings | | 1,226,585 |
| Building improvements | | 905,876 |
| Mobile equipment | | 76,817 |
| Furniture and equipment | | 38,550 |
| Leased property under capital leases | | 27,225 |
| Total Assets | \$ | <u><u>3,660,516</u></u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ | 38,571 |
| Interest payable on long-term liabilities | | 18,255 |
| Long-term liabilities, due within one year (Note 6) | | |
| Capital related liabilities | | 83,277 |
| Non-capital related liabilities | | 36,000 |
| Long-term liabilities, due beyond one year (Note 6) | | |
| Capital related liabilities | | 970,879 |
| Non-capital related liabilities | | 21,699 |
| Total Liabilities | \$ | <u><u>1,168,681</u></u> |
| Net Assets | | |
| Investment in capital assets, net of related debt | \$ | 1,617,891 |
| Restricted net assets: | | |
| Expendable: | | |
| School-based activities | | 61,301 |
| Debt service | | 121,844 |
| Capital improvements | | 98,295 |
| Unemployment benefits | | 11,386 |
| Unrestricted | | 581,118 |
| Total Net Assets | \$ | <u><u>2,491,835</u></u> |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

| 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 |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Instruction | \$ 2,490,875 | 86,291 | 295,375 | | (2,109,209) |
| Support services | 1,444,818 | | 166,869 | 16,415 | (1,261,534) |
| Non-instructional | 347,487 | 69,469 | 253,348 | | (24,670) |
| Interest on long-term liabilities | 40,088 | | | | (40,088) |
| Total governmental activities | \$ 4,323,268 | 155,760 | 715,592 | 16,415 | (3,435,501) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| | | | | | 517,892 |
| | | | | | 25,618 |
| Unrestricted grants and contributions: | | | | | |
| | | | | | 2,568,869 |
| | | | | | 118,654 |
| | | | | | 51,654 |
| | | | | | 11,461 |
| | | | | | 3,294,148 |
| | | | | | (141,353) |
| | | | | | 2,633,089 |
| | | | | | 99 |
| | | | | | 2,633,188 |
| | | | | | \$ 2,491,835 |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

| | Major Funds | | | | | Total Governmental Funds |
|------------------------------------------|-----------------|----------------------|-------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Title I - A Basic | EEF Buildings & Buses Fund | Renovation 1935 Building Fund | Other Governmental Funds | |
| ASSETS | | | | | | |
| Cash and cash equivalents (Note 3) | \$ 574,632 | 3,889 | 15,057 | 336,964 | 283,047 | 1,213,589 |
| Due from other governments | 69,130 | 8,425 | 1,368 | | 23,627 | 102,550 |
| Due from other funds (Note 4) | 11,819 | | | | 16,425 | 28,244 |
| Inventories and prepaid items | | | | | 3,185 | 3,185 |
| Total Assets | \$ 655,581 | 12,314 | 16,425 | 336,964 | 326,284 | 1,347,568 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | \$ 17,345 | | | 3,243 | 5,714 | 26,302 |
| Due to other funds (Note 4) | | 12,314 | 16,425 | | 11,583 | 40,322 |
| Total Liabilities | 17,345 | 12,314 | 16,425 | 3,243 | 17,297 | 66,624 |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Inventory | | | | | 3,185 | 3,185 |
| Capital projects | | | | | 95,620 | 95,620 |
| Debt service | | | | | 140,099 | 140,099 |
| Unemployment benefits | | | | | 11,386 | 11,386 |
| Unreserved: | | | | | | |
| Designated for, reported in: | | | | | | |
| Capital projects funds | | | | 333,721 | | 333,721 |
| Undesignated, reported in: | | | | | | |
| General fund | 638,236 | | | | | 638,236 |
| Special Revenue funds | | | | | 58,697 | 58,697 |
| Total Fund Balances | 638,236 | -0- | -0- | 333,721 | 308,987 | 1,280,944 |
| Total Liabilities and Fund Balances | \$ 655,581 | 12,314 | 16,425 | 336,964 | 326,284 | 1,347,568 |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2007**

| | Amount |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Total Fund Balance - Governmental Funds | \$ 1,280,944 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| 1. Capital assets which are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,017,785. (Note 5) | 2,341,001 |
| 2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6) | (1,111,855) |
| 3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest | (18,255) |
| | \$ 2,491,835 |
| Total Net Assets - Governmental Activities | \$ 2,491,835 |

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

CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

| | Major Funds | | | | | | Total Governmental Funds |
|------------------------------------------------------|-----------------|---------------------------|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|
| | General Fund | Title I - A Basic Fund | EEF Buildings & Buses Fund | Renovation 1935 Building Fund | Other Governmental Funds | | |
| Revenues: | | | | | | | |
| Local sources | \$ 654,527 | | | 2,687 | 98,837 | | 756,051 |
| Intermediate source | | | | | 2,500 | | 2,500 |
| State sources | 2,512,862 | | 16,415 | | 115,345 | | 2,644,622 |
| Federal sources | 119,314 | 139,888 | | | 515,706 | | 774,908 |
| Total Revenues | 3,286,703 | 139,888 | 16,415 | 2,687 | 732,388 | | 4,178,081 |
| Expenditures: | | | | | | | |
| Instruction | 2,081,668 | 153,260 | | | 233,567 | | 2,468,495 |
| Support services | 1,202,867 | 3,245 | | 33,066 | 144,221 | | 1,383,399 |
| Noninstructional services | 33,627 | 1,300 | | 900 | 307,035 | | 341,962 |
| Facilities acquisition and construction | | | | | 14,472 | | 15,372 |
| Debt service: | | | | | | | |
| Principal | | | | | 106,513 | | 106,513 |
| Interest | | | | | 39,600 | | 39,600 |
| Total Expenditures | 3,318,162 | 157,805 | -0- | 33,966 | 845,408 | | 4,355,341 |
| Excess (Deficiency) of Revenues Over Expenditures | (31,459) | (17,917) | 16,415 | (31,279) | (113,020) | | (177,260) |
| Other Financing Sources (Uses): | | | | | | | |
| Proceeds of general obligation bonds | | | | 365,000 | | | 365,000 |
| Insurance loss recoveries | 3,835 | | | | | | 3,835 |
| Operating transfers in | | 17,917 | | | 227,696 | | 245,613 |
| Operating transfers out | (210,782) | | (16,425) | | (18,406) | | (245,613) |
| Total Other Financing Sources (Uses) | (206,947) | 17,917 | (16,425) | 365,000 | 209,290 | | 368,835 |
| Net Change in Fund Balances | (238,406) | -0- | (10) | 333,721 | 96,270 | | 191,575 |
| Fund Balances: | | | | | | | |
| July 1, 2006 | 876,642 | -0- | 10 | -0- | 215,010 | | 1,091,662 |
| Inc. (Dec.) in reserve for inventory | | | | | (2,293) | | (2,293) |
| June 30, 2007 | \$ 638,236 | -0- | -0- | 333,721 | 308,987 | | 1,280,944 |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

| | <u>Amount</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Net Change in Fund Balances - Governmental Funds | \$ 191,575 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| 1. Governmental funds report capital outlays as expenditures while activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$30,371 and the depreciation expense amounted to \$103,429. (Note 5) | (73,058) |
| 2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. (Note 6) | 106,513 |
| 3. The issuance of long-term debt provides current financial resources to governmental funds, but issuance increases long-term liabilities in the Statement of Net Assets. | (365,000) |
| 4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due. | (488) |
| 5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds. | (56) |
| 6. Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activities. | (2,293) |
| 7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated absences | 1,454 |
| Change in Net Assets of Governmental Activities | \$ (141,353) |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

| | | <u>Agency Funds</u> |
|------------------------------------------|----|-------------------------|
| Assets | | |
| Cash and cash equivalents (Note 3) | \$ | 218,230 |
| Due from other funds (Note 4) | | <u>12,269</u> |
| Total Assets | \$ | <u><u>230,499</u></u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ | 216,000 |
| Due to other funds (Note 4) | | 191 |
| Due to student clubs | | <u>14,308</u> |
| Total Liabilities | \$ | <u><u>230,499</u></u> |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Note 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 to which each member was elected by the citizens of each defined county district.

B. Basis of Presentation

The school district's basic financial statements 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 school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies (Continued)

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Title I - A Basic Fund - This is the school district's fund for accounting for the federal funding of the Title I program.

EEF Buildings & Buses Fund - This is the school district's fund for accounting for the state funding of Educational Enhancement Funds for the acquisition and maintenance of school buildings and buses.

Renovation 1935 Building Fund - This is the school district's fund for accounting for the funds borrowed for the purpose of renovating the 1935 classroom building.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUNDS

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

D. Account Classifications

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

E. Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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

G. Inventories and Prepaid Items

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

H. 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 fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

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

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

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies (Continued)

I. 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.

J. Interfund Transactions and Balances

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

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

K. 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.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies (Continued)

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

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

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

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

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

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

Reserved for 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.

Unreserved - designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balances that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies (Continued)

L. Property Taxes

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

M. 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.

N. Compensated Absences

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

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 2: Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,213,589 and \$218,230, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and Cash Equivalents \$1,213,589. The bank balance was \$1,638,224.

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, 2007, none of the district's bank balance of \$1,638,224 was exposed to custodial credit risk.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 3: 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 | \$ 11,819 | |
| Title I - A Basic | | 12,314 |
| EEF Buildings & Buses | | 16,425 |
| Other Governmental Funds | 16,425 | 11,583 |
| Total | <u>28,244</u> | <u>40,322</u> |
| Fiduciary Funds | <u>12,269</u> | <u>191</u> |
| Total | <u>\$ 40,513</u> | <u>40,513</u> |

The purpose of the interfund loans was to cover federal funds not received prior to year-end.

B. Transfers In/Out

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------|---------------------|----------------------|
| Governmental Funds: | | |
| General fund | \$ | 210,782 |
| Title I - A Basic | 17,917 | |
| EEF Buildings & Buses | | 16,425 |
| Other Governmental Funds | <u>227,696</u> | <u>18,406</u> |
| Total | <u>\$ 245,613</u> | <u>245,613</u> |

The principal purpose of interfund transfers was to provide funds to pay for debt service payments or to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 4: Capital Assets

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

| | Balance 7/1/2006 | Additions | Retirements | Completed Construction | Adjustments | Balance 6/30/2007 |
|------------------------------------------------|---------------------|-----------------|----------------|---------------------------|--------------|----------------------|
| <u>Non-depreciable capital assets:</u> | | | | | | |
| Land | \$ 50,576 | | | | | 50,576 |
| Construction in progress | -0- | 15,372 | | | | 15,372 |
| Total non-depreciable capital assets | <u>50,576</u> | <u>15,372</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>65,948</u> |
| <u>Depreciable capital assets:</u> | | | | | | |
| Buildings | 1,726,926 | | | | | 1,726,926 |
| Building improvements | 993,398 | | | | | 993,398 |
| Mobile equipment | 341,356 | | | | | 341,356 |
| Furniture and equipment | 162,385 | 14,999 | (5,626) | | 9,900 | 181,658 |
| Leased property under capital leases | 49,500 | | | | | 49,500 |
| Total depreciable capital assets | <u>3,273,565</u> | <u>14,999</u> | <u>(5,626)</u> | <u>-0-</u> | <u>9,900</u> | <u>3,292,838</u> |
| <u>Less accumulated depreciation for:</u> | | | | | | |
| Buildings | 468,677 | 31,665 | | | | 500,342 |
| Building improvements | 47,786 | 39,736 | | | | 87,522 |
| Mobile equipment | 253,178 | 15,816 | | | (4,455) | 264,539 |
| Furniture and equipment | 127,119 | 11,757 | (5,570) | | 9,801 | 143,107 |
| Leased property under capital leases | 13,365 | 4,455 | | | 4,455 | 22,275 |
| Total accumulated depreciation | <u>910,125</u> | <u>103,429</u> | <u>(5,570)</u> | <u>-0-</u> | <u>9,801</u> | <u>1,017,785</u> |
| Total depreciable capital assets, net | <u>2,363,440</u> | <u>(88,430)</u> | <u>(56)</u> | <u>-0-</u> | <u>99</u> | <u>2,275,053</u> |
| Governmental activities capital assets, net | <u>\$ 2,414,016</u> | <u>(73,058)</u> | <u>(56)</u> | <u>-0-</u> | <u>99</u> | <u>2,341,001</u> |

Depreciation expense was charged to the following governmental functions:

| | |
|----------------------------|-------------------|
| | <u>Amount</u> |
| Instruction | \$ 36,531 |
| Support services | 63,700 |
| Non-instructional services | 3,198 |
| Total depreciation expense | <u>\$ 103,429</u> |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 4: Capital Assets (Continued)

Commitments under construction contracts at June 30, 2007, are summarized as follows:

| | Remaining Commitmen t | Required Future Financing |
|-------------------------|-----------------------------|---------------------------------|
| Renovation 1935 Buildin | \$ 833,101 | 511,509 |

Note 5: Long-term Liabilities

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

| | Balance 7/1/2006 | Additions | Reductions | Adjustments | Balance 6/30/2007 | Amounts due within one year |
|-------------------------------------|---------------------|-----------|------------|-------------|----------------------|-----------------------------------|
| A. Limited obligation bonds payable | \$ 735,000 | | 40,000 | | 695,000 | 45,000 |
| B. Three mill note payable | 67,000 | 365,000 | 59,500 | | 372,500 | 67,000 |
| C. Obligations under capital leases | 29,669 | | 7,013 | | 22,656 | 7,277 |
| D. Compensated absences payable | 23,153 | | 1,454 | | 21,699 | |
| Total | \$ 854,822 | 365,000 | 107,967 | -0- | 1,111,855 | 119,277 |

A. Limited obligation bonds payable

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

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------------|------------------|---------------|------------------|------------------|-----------------------|
| State aid capital improvement | 5.00% | 3/1/98 | 2/1/18 | \$ 915,000 | \$ 695,000 |
| Total | | | | \$ 915,000 | \$ 695,000 |

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 5: Long-term Liabilities (Continued)

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------|----------------|----------------|
| 2008 | 45,000 | 33,625 | 78,625 |
| 2009 | 45,000 | 31,375 | 76,375 |
| 2010 | 50,000 | 29,000 | 79,000 |
| 2011 | 50,000 | 26,500 | 76,500 |
| 2012 | 55,000 | 12,625 | 67,625 |
| 2013-2017 | 310,000 | 83,250 | 393,250 |
| 2018-2022 | 140,000 | 8,750 | 148,750 |
| Total \$ | <u>695,000</u> | <u>225,125</u> | <u>920,125</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 Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Bond Issue Fund.

B. Three mill notes payable

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|--------------------------------|------------------|---------------|------------------|-------------------|-----------------------|
| Three mill ten year notes 1998 | 4.74% | 4/1/99 | 4/1/09 | \$ 40,000 | \$ 7,500 |
| Limited tax note series 2006 | 4.03% | 9/15/06 | 9/15/07 | 36,000 | 36,000 |
| Limited tax note series 2007 | 3.99% | 5/1/07 | 5/1/18 | <u>329,000</u> | <u>329,000</u> |
| Total | | | | <u>\$ 405,000</u> | <u>\$ 372,500</u> |

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 5: Long-term Liabilities (Continued)

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------|---------------|----------------|
| 2008 | 67,000 | 14,931 | 81,931 |
| 2009 | 32,500 | 12,176 | 44,676 |
| 2010 | 33,000 | 10,893 | 43,893 |
| 2011 | 35,000 | 9,576 | 44,576 |
| 2012 | 36,000 | 8,179 | 44,179 |
| 2013-2017 | 144,000 | 22,264 | 166,264 |
| 2018-2022 | 25,000 | 998 | 25,998 |
| Total \$ | <u>372,500</u> | <u>79,017</u> | <u>451,517</u> |

This debt will be retired from the 3 Mill Note Levy 1999 fund.

C. Obligations under capital leases

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under these leases is composed of a school bus.

The option available to the lessee for this lease is that the district can purchase the lessor's interest by paying an option price equal to the remaining principal balance owed plus accrued interest to the date of such payment.

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------|--------------|---------------|
| 2008 | 7,277 | 771 | 8,048 |
| 2009 | 7,548 | 500 | 8,048 |
| 2010 | 7,831 | 217 | 8,048 |
| Total \$ | <u>22,656</u> | <u>1,488</u> | <u>24,144</u> |

This debt will be retired from the District Maintenance.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 5: Long-term Liabilities (Continued)

D. Compensated absences payable

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

Note 6: Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007, was 11.30% 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, 2007, 2006, and 2005 were \$269,833, \$247,935, and \$216,937, respectively, which equaled the required contributions for each year.

Note 7: Prior Period Adjustments/Exhibits

A summary of significant fund equity adjustments is as follows:

| <u>Exhibit B - Statement of Activities</u> | <u>Amount</u> |
|--------------------------------------------|---------------------|
| <u>Explanation(s)</u> | |
| 1. To correct beginning capital assets | \$ <u>99</u> |
| Total | \$ <u><u>99</u></u> |

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 8: Subsequent Events

On July 31, 2007, the Chickasaw County School District entered into an agreement through the Master Lease Program for School Districts and Community College Districts Series 2007 A administered by the State of Mississippi, represented by the Department of Finance and Administration. Through the lease agreement the District obtained school buses and an energy efficient lighting system. The total amount of the District's liability is \$121,258. This note will be paid with an interest rate of 5.49%. This debt will be retired with funds from the District Maintenance Fund.

Note 9: Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance that will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for the excess losses incurred by the pool.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Note 10: Vocational School Consortium

The school district entered into a Vocational Educational Agreement date May 6, 1985, creating the Houston Vocational 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 Houston School District and the Chickasaw County School District.

Section 37-31-73, 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 Houston School District has been designated as the fiscal agent for the Houston Vocational Center, and the operations of the center are included in its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CHICKASAW COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|------------------------------------------------------|-------------------|------------------|------------------------|----------------------|--------------------|
| | | | | Positive (Negative) | |
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Local sources | \$ 608,506 | 654,527 | 654,527 | 46,021 | -0- |
| State sources | 2,553,841 | 2,512,862 | 2,512,862 | (40,979) | -0- |
| Federal sources | 127,030 | 119,314 | 119,314 | (7,716) | -0- |
| Total Revenues | <u>3,289,377</u> | <u>3,286,703</u> | <u>3,286,703</u> | <u>(2,674)</u> | <u>-0-</u> |
| Expenditures: | | | | | |
| Instruction | 2,165,711 | 2,081,098 | 2,081,668 | 84,613 | (570) |
| Support services | 1,246,303 | 1,203,002 | 1,202,867 | 43,301 | 135 |
| Noninstructional services | 31,494 | 33,627 | 33,627 | (2,133) | -0- |
| Total Expenditures | <u>3,443,508</u> | <u>3,317,727</u> | <u>3,318,162</u> | <u>125,781</u> | <u>(435)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(154,131)</u> | <u>(31,024)</u> | <u>(31,459)</u> | <u>123,107</u> | <u>(435)</u> |
| Other Financing Sources (Uses): | | | | | |
| Insurance loss recoveries | | 3,835 | 3,835 | 3,835 | -0- |
| Operating transfers in | 303,424 | 298,767 | | (4,657) | (298,767) |
| Operating transfers out | (490,908) | (509,549) | (210,782) | (18,641) | 298,767 |
| Total Other Financing Sources (Uses) | <u>(187,484)</u> | <u>(206,947)</u> | <u>(206,947)</u> | <u>(19,463)</u> | <u>-0-</u> |
| Net Change in Fund Balances | <u>(341,615)</u> | <u>(237,971)</u> | <u>(238,406)</u> | <u>103,644</u> | <u>(435)</u> |
| Fund Balances: | | | | | |
| July 1, 2006 | <u>872,900</u> | <u>876,652</u> | <u>876,642</u> | <u>3,752</u> | <u>(10)</u> |
| June 30, 2007 | <u>\$ 531,285</u> | <u>638,681</u> | <u>638,236</u> | <u>107,396</u> | <u>(445)</u> |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND
FOR THE YEAR ENDED JUNE 30, 2007**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|---------------------------------------------|------------------|-----------------|------------------------|----------------------|--------------------|
| | | | | Positive (Negative) | |
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Federal sources | \$ 165,546 | 139,888 | 139,888 | (25,658) | -0- |
| Total Revenues | <u>165,546</u> | <u>139,888</u> | <u>139,888</u> | <u>(25,658)</u> | <u>-0-</u> |
| Expenditures: | | | | | |
| Instruction | 174,682 | 153,260 | 153,260 | 21,422 | -0- |
| Support services | 7,677 | 3,245 | 3,245 | 4,432 | -0- |
| Noninstructional services | 1,323 | 1,300 | 1,300 | 23 | -0- |
| Total Expenditures | <u>183,682</u> | <u>157,805</u> | <u>157,805</u> | <u>25,877</u> | <u>-0-</u> |
| Deficiency of Revenues Over Expenditures | <u>(18,136)</u> | <u>(17,917)</u> | <u>(17,917)</u> | <u>219</u> | <u>-0-</u> |
| Other Financing Sources: | | | | | |
| Operating transfers in | 18,136 | 17,917 | 17,917 | (219) | -0- |
| Total Other Financing Sources | <u>18,136</u> | <u>17,917</u> | <u>17,917</u> | <u>(219)</u> | <u>-0-</u> |
| Net Change in Fund Balances | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Fund Balances: | | | | | |
| July 1, 2006 | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| June 30, 2007 | <u>\$ -0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE EEF BUILDINGS & BUSES FUND
 FOR THE YEAR ENDED JUNE 30, 2007**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances | |
|---------------------------------------------|----------------------|-------------------|------------------------|----------------------|--------------------|
| | | | | Positive (Negative) | |
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| State sources | \$ 16,410 | 16,415 | 16,415 | 5 | -0- |
| Total Revenues | <u>16,410</u> | <u>16,415</u> | <u>16,415</u> | <u>5</u> | <u>-0-</u> |
| Expenditures: | | | | | |
| Debt service: | | | | | |
| Principal | 16,410 | | | 16,410 | -0- |
| Total Expenditures | <u>16,410</u> | <u>-0-</u> | <u>-0-</u> | <u>16,410</u> | <u>-0-</u> |
| Deficiency of Revenues Over Expenditures | <u>-0-</u> | <u>16,415</u> | <u>16,415</u> | <u>16,415</u> | <u>-0-</u> |
| Other Financing Sources: | | | | | |
| Operating transfers out | | (16,425) | (16,425) | 16,425 | -0- |
| Total Other Financing Sources | <u>-0-</u> | <u>(16,425)</u> | <u>(16,425)</u> | <u>16,425</u> | <u>-0-</u> |
| Net Change in Fund Balances | <u>-0-</u> | <u>(10)</u> | <u>(10)</u> | <u>(10)</u> | <u>-0-</u> |
| Fund Balances: | | | | | |
| July 1, 2006 | <u>-0-</u> | <u>10</u> | <u>10</u> | <u>10</u> | <u>-0-</u> |
| June 30, 2007 | <u><u>\$ -0-</u></u> | <u><u>-0-</u></u> | <u><u>-0-</u></u> | <u><u>-0-</u></u> | <u><u>-0-</u></u> |

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

Budgetary Comparison Schedule

Note 1: Basis of Presentation

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

Note 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

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

| Federal Grantor/ Pass-through Grantor/ Program Title | Catalog of Federal Domestic Assistance Number | Federal Expenditures |
|--------------------------------------------------------------------|-----------------------------------------------------|-------------------------|
| U.S. Department of Agriculture | | |
| Passed-through Mississippi Department of Education: | | |
| Non-cash assistance: | | |
| Food donation | 10.550 | 13,682 |
| Child nutrition cluster: | | |
| School breakfast program | 10.553 | 82,217 |
| National school lunch program | 10.555 | 126,647 |
| Summer food service program for children | 10.559 | 4,287 |
| Total child nutrition cluster | | <u>213,151</u> |
| Total passed-through Mississippi Department of Education | | <u>226,833</u> |
| Total U.S. Department of Agriculture | | <u>226,833</u> |
| Federal Communications Commission | | |
| Administered through the Universal Service Administrative Company: | | |
| The schools and libraries program of the universal service fund | 32.XXX | 40,836 |
| Total Federal Communications Commission | | <u>40,836</u> |
| U.S. Department of Education | | |
| Passed-through Mississippi Department of Education: | | |
| Title I - grants to local educational agencies | 84.010 | 139,888 |
| Safe and drug free schools and communities - state grants | 84.186 | 4,603 |
| Eisenhower professional development state grants | 84.281 | 6,395 |
| Twenty-first century community learning centers | 84.287 | 94,499 |
| State grants for innovative programs | 84.298 | 649 |
| Education technology state grants | 84.318 | 885 |
| Teacher quality enhancement grants | 84.336 | 620 |
| Transition to teaching | 84.350 | 80 |
| Rural education | 84.358 | 17,206 |
| Improving teacher quality - state grants | 84.367 | 30,146 |
| Grants for state assessments and related activities | 84.369 | 2,712 |
| Total | | <u>297,683</u> |
| Special education cluster: | | |
| Special education - grants to states | 84.027 | 119,867 |
| Special education - preschool grants | 84.173 | 6,133 |
| Total special education cluster | | <u>126,000</u> |
| Total passed through Mississippi Department of Education | | <u>423,683</u> |

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

| Federal Grantor/ Pass-through Grantor/ Program Title | Catalog of Federal Domestic Assistance Number | Federal Expenditures |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------|
| Department of Health and Human Services | | |
| Passed through the Mississippi Division of Medicaid Medical assistance program | 93.778 | 13,261 |
| Total Department of Health and Human Services | | <u>13,261</u> |
| Corporation for National and Community Service | | |
| Passed through the Mississippi Department of Education: Learn and serve America - school and community based programs | 94.004 | 2,549 |
| Total Corporation for National and Community Service | | <u>2,549</u> |
| Total for All Federal Awards | | <u>\$ 707,162</u> |

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

Note 2: The expenditure amounts include transfers out.

Note 3: The pass-through entities did not assign identifying numbers to the school district.

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

| <u>Expenditures</u> | <u>Total</u> | <u>Instruction and Other Student Instructional Expenditures</u> | <u>General Administration</u> | <u>School Administration</u> | <u>Other</u> |
|------------------------------|--------------|-------------------------------------------------------------------------|-----------------------------------|----------------------------------|--------------|
| Salaries and fringe benefits | \$ 3,312,327 | 2,565,234 | 215,239 | 179,830 | 352,024 |
| Other | 1,043,014 | 378,934 | 57,831 | 7,135 | 599,114 |
| Total | \$ 4,355,341 | 2,944,168 | 273,070 | 186,965 | 951,138 |
| Total number of students | 500 | | | | |
| Cost per student | \$ 8,711 | 5,888 | 546 | 374 | 1,902 |

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

Instructional 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.

General Administration - includes expenditures for the following functions: Support Services - General Administration; and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2007, which collectively comprise the Chickasaw County School District's basic financial statements and have issued our report thereon dated January 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

January 8, 2008
Tupelo, Mississippi

J. E. Vance & Company

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

Superintendent and School Board
Chickasaw County School District

Compliance

We have audited the compliance of the Chickasaw 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, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Chickasaw 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, 2007.

Internal Control Over Compliance

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

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

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

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

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

January 8, 2008
Tupelo, Mississippi

J. E. Vance & Company

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2007, which collectively comprise Chickasaw County School District's basic financial statements and have issued our report thereon dated January 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$5,638 of classroom supply funds carried over from previous years.

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

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

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

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

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

January 8, 2008
Tupelo, Mississippi

J E Vance & Company

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|----------------------------------------------------------------------------------------------|---------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Cluster: Special Education | |
| CFDA #84.027 | |
| CFDA #84.173 | |
| b. Title I grants to local educational agencies | |
| CFDA #84.010 | |

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section 1: Summary of Auditor's Results (Continued)

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

Section 2: Financial Statement Findings

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

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.