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**TUPELO PUBLIC SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Superintendent and School Board
Tupelo Public School District

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2007, which collectively comprise the Tupelo Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tupelo Public 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.

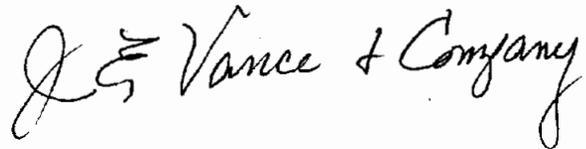
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District, as of June 30, 2007, and the respective changes in financial position, thereof and 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 December 18, 2007, on our consideration of the Tupelo Public 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 15 and the Budgetary Comparison Schedule and corresponding notes on pages 49 through 50 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 Tupelo Public 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.

December 18, 2007
Tupelo, Mississippi

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Tupelo Public 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 increased \$4,943,795, which represents a 13% increase from fiscal year 2006. Total net assets for 2006 increased \$4,350,963 which represents a 13% increase from fiscal year 2005.
- General revenues account for \$57,480,018 and \$54,623,301 in revenue, or 84% and 84% 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 \$10,728,350 or 16% of total revenues for 2007 and \$10,761,981 or 16% of total revenues for 2006.
- The District had \$63,255,333 and \$61,033,919 in expenses for fiscal years 2007 and 2006; only \$10,728,350 for 2007 and \$10,761,981 for 2006 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$57,480,018 for 2007 and \$54,623,301 for 2006 were adequate to provide for these programs.
- Among major funds, the General Fund had \$53,369,798 in revenues and \$50,300,661 in expenditures for 2007 and \$50,599,410 in revenues and \$48,046,498 in expenditures for 2006. The General Fund's fund balance increased \$122,356 from 2006 to 2007 and decreased \$1,583,634 from 2005 to 2006. The 2006 decrease was due to a \$2,000,000 transfer to the District Construction Reserve capital building project fund.
- Capital assets, net of accumulated depreciation, increased by \$192,834 for 2007 and by \$3,348,592 for 2006.
- Long-term debt decreased by \$4,004,635 for 2007 and decreased by \$2,588,519 for 2006.

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 two types of activities:

Governmental Activities - These are 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.

Component Units - These are operations that are legally separate from the District, but for which the District is financially accountable. The nature and significance of its relationship with the school district is such that its exclusion would cause the Tupelo Public School District's financial statements to be misleading or incomplete. The District's discretely presented component unit is the Tupelo School District Learning Foundation.

The government-wide financial statements can be found on pages 17-18 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, 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 19-22 of this report.

Proprietary funds. The school district maintains one type of proprietary fund, internal service fund. The internal service fund is a self-insurance fund that accounts for and finances the school district's uninsured risks resulting from providing health insurance for its employees. As of June 30, 2007, this fund was inactive. This fund is presented on the proprietary fund statements on pages 23-25.

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 26.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-47 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 48-50 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 52-53 of this report. A schedule of instructional, administrative, and other expenditures for governmental funds as required by the Mississippi State Auditor's Office is on page 54.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$43,757,823 as of June 30, 2007 and by \$38,814,028 as of June 30, 2006.

A large portion of the District's net assets (59% for 2007 and 56% for 2006) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), 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 year ended June 30, 2007 and June 30, 2006.

	2007		2006	
	Governmental Activities	Component Unit	Governmental Activities	Component Unit
Current assets	\$ 19,378,111	317,081	\$ 18,981,644	130,600
Capital assets, net	61,055,727	1,715,833	60,755,145	1,823,581
Total assets	80,433,838	2,032,914	79,736,789	1,954,181
Current liabilities	917,575	86,050	1,088,337	78,666
Long-term debt outstanding	37,705,304		41,709,939	-0-
Total liabilities	38,622,879	86,050	42,798,276	78,666
Net assets:				
Invested in capital assets, net of related debt	24,115,250	1,715,833	19,877,133	1,823,581
Restricted	11,370,972		10,792,851	-0-
Unrestricted	6,324,737	231,031	6,268,529	51,934
Total net assets	\$ 41,810,959	1,946,864	\$ 36,938,513	1,875,515

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

- The addition of \$1,039,841 in construction in progress for the Tupelo Middle School, District Lighting, THS Softball Complex, and various reproofing capital building projects
- The purchase of six buses for \$467,678
- The principal retirement of \$3,911,704 of long-term debt

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2007 and June 30, 2006 were \$68,208,368 and \$65,385,282 respectively. The total cost of all programs and services for 2007 was \$63,255,333 and \$61,033,919 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
	June 30, 2007	June 30, 2006	
Revenues:			
Program revenues:			
Charges for services	\$ 2,436,274	\$ 2,354,383	3.48%
Operating grants and contributions	7,503,149	8,179,392	-8.27%
Capital grants and contributions	788,927	228,206	245.71%
General revenues:			
Property taxes	26,767,486	25,355,464	5.57%
Grants and contributions not restricted	29,656,174	28,454,043	4.22%
Other	1,056,358	813,794	29.81%
Total revenues	68,208,368	65,385,282	4.32%
Expenses:			
Instruction	36,871,097	36,467,248	1.11%
Support services	20,982,417	19,051,347	10.14%
Non-instructional	3,161,799	3,062,330	3.25%
Interest on long-term liabilities	1,639,086	1,779,665	-7.90%
Learning foundation	600,934	673,329	-10.75%
Total expenses	63,255,333	61,033,919	3.64%
Increase in net assets	4,953,035	4,351,363	13.83%
Net Assets, July 1	38,814,028	34,463,065	12.63%
Prior Period Adjustment	(9,240)	(400)	2210.00%
Net Assets, July 1 Restated	38,804,788	34,462,665	12.60%
Net Assets, June 30	\$ 43,757,823	\$ 38,814,028	12.74%

Figure 1
Sources of Revenues for Fiscal Year 2007

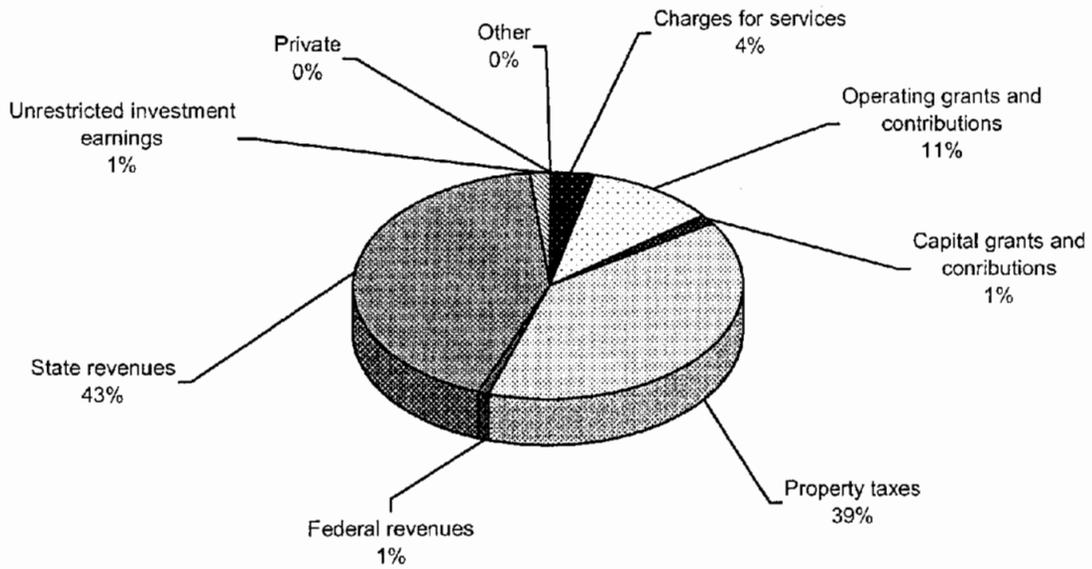
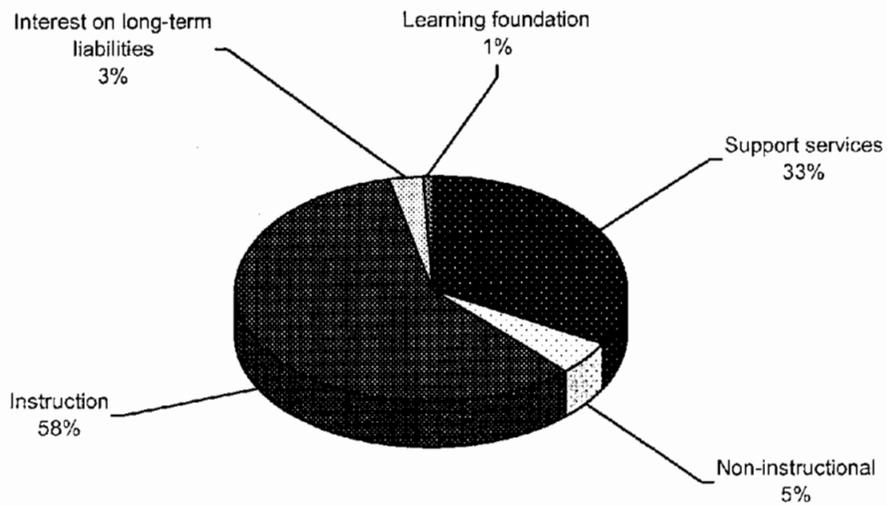


Figure 2
Expenses for Fiscal Year 2007



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	\$ 36,871,097	\$ (32,392,413)	\$ 36,467,248	\$ (31,283,039)
Support services	20,982,417	(18,569,984)	19,051,347	(17,159,314)
Non-instructional	3,161,799	43,628	3,062,330	100,036
Interest on long-term liabilities	1,639,086	(1,639,086)	1,779,665	(1,779,665)
Total expenses	\$ 62,654,399	\$ (52,557,855)	\$ 60,360,590	\$ (50,121,982)

- Net cost of governmental activities (\$52,557,855 and \$50,121,982), was financed by general revenue, which is made up of primarily property taxes (\$26,767,486 for 2007 and \$25,355,464 for 2006) and state revenue (\$29,108,663 for 2007 and \$28,113,787 for 2006).
- Investment earnings accounted for \$1,002,287 of funding for 2007 and \$784,339 for 2006.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$18,451,705, an increase of \$572,839. \$7,047,472 or 38% 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 \$11,404,233 or 62% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$122,356. The fund balance of Other Governmental Funds showed a decrease.

BUDGETARY HIGHLIGHTS

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

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

- 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.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District did not spend the entire contingency amount.
- Budget amounts for the District Construction Reserve Fund operating transfers in were increased to show a transfer from the General Fund in the amount of \$2,000,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total net capital assets were \$62,771,560, including primary government and component unit. This amount represents an increase of \$192,834 from the previous year. The increase was mainly due to the addition of \$1,039,841 in construction in progress capital building projects and the purchase of six buses for \$467,678. Total accumulated depreciation as of June 30, 2007 was \$23,509,950 and total depreciation expense for the year was \$2,248,215 resulting in total net capital assets of \$62,771,560.

CAPITAL ASSETS AT JUNE 30 (Net of Depreciation)

	<u>2007</u>	<u>2006</u>	<u>Total % Change</u>
Land	\$ 4,122,182	\$ 4,122,182	0.00%
Construction in progress	1,986,117	8,283,390	-76.02%
Buildings	45,249,853	39,611,349	14.23%
Building Improvements	7,990,268	8,047,148	-0.71%
Improvements other than buildings	1,206,788	789,081	52.94%
Mobile equipment	1,682,618	1,452,049	15.88%
Furniture and equipment	533,734	273,527	95.13%
Totals	<u>\$ 62,771,560</u>	<u>\$ 62,578,726</u>	0.31%

Additional information of the District's capital assets can be found in Note 4 on pages 40-42 of this report.

Debt Administration. At June 30, 2007, the District had \$37,705,304 in long-term debt outstanding, of which \$4,188,056 is due within one year.

OUTSTANDING LONG-TERM DEBT AT JUNE 30

	<u>2007</u>	<u>2006</u>	<u>Total % Change</u>
General obligation bonds payable	\$ 29,185,000	\$ 32,670,000	-10.67%
Deferred amount on refunding	(815,905)	(913,951)	-10.73%
Unamortized premiums	1,233,255	1,404,507	-12.19%
Limited obligation bonds payable	6,495,000	6,900,000	-5.87%
Obligations under energy efficiency lease	1,095,058	1,116,762	-1.94%
Compensated absences payable	512,896	532,621	-3.70%
Totals	<u>\$ 37,705,304</u>	<u>\$ 41,709,939</u>	-9.60%

The District maintains an AAA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on pages 42-45 of this report.

CURRENT ISSUES

The Tupelo Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has increased 3.90% from the past year. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase by 2%. The budget for the next fiscal year has taken into account this change in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Tupelo Public School District, P.O. Box 557, Tupelo, Mississippi 38802.

FINANCIAL STATEMENTS

TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A	<u>Primary Government</u> Governmental Activities	<u>Component Unit</u> Learning Foundation	Total Reporting Entity
Assets			
Cash and cash equivalents	\$ 8,028,389	255,346	8,283,735
Investments	8,611,587	12,627	8,624,214
Due from other governments	2,350,295		2,350,295
Other receivables, net	251,931	22,074	274,005
Inventories and prepaid items	135,909	27,034	162,943
Capital assets, not being depreciated:			
Land	3,922,182	200,000	4,122,182
Construction in progress	1,986,117		1,986,117
Capital assets, net of accumulated depreciation:			
Buildings	43,734,020	1,515,833	45,249,853
Building improvements	7,990,268		7,990,268
Improvements other than buildings	1,206,788		1,206,788
Mobile equipment	1,682,618		1,682,618
Furniture and equipment	533,734		533,734
Total Assets	\$ 80,433,838	2,032,914	82,466,752
Liabilities			
Accounts payable and accrued liabilities	\$ 646,053	82,388	728,441
Interest payable on long-term liabilities	254,049	3,662	257,711
Deferred revenue	17,473		17,473
Long-term liabilities, due within one year			
Capital related liabilities	4,188,056		4,188,056
Long-term liabilities, due beyond one year			
Capital related liabilities	33,004,352		33,004,352
Non-capital related liabilities	512,896		512,896
Total Liabilities	\$ 38,622,879	86,050	38,708,929
Net Assets			
Investment in capital assets, net of related debt	\$ 24,115,250	1,715,833	25,831,083
Restricted net assets:			
Expendable:			
School - based activities	356,697		356,697
Debt service	2,597,715		2,597,715
Capital improvements	8,259,374		8,259,374
Unemployment benefits	157,186		157,186
Unrestricted	6,324,737	231,031	6,555,768
Total Net Assets	\$ 41,810,959	1,946,864	43,757,823

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

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component	Total Reporting Entity
					Governmental Activities	Unit Learning Foundation	
Primary government:							
Governmental activities:							
Instruction	\$ 36,871,097	610,122	3,860,960	7,602	(32,392,413)		(32,392,413)
Support services	20,982,417	136,322	1,494,786	781,325	(18,569,984)		(18,569,984)
Non-instructional	3,161,799	1,058,024	2,147,403		43,628		43,628
Interest on long-term liabilities	1,639,086				(1,639,086)		(1,639,086)
Total Governmental Activities	62,654,399	1,804,468	7,503,149	788,927	(52,557,855)		(52,557,855)
Total Primary Government	62,654,399	1,804,468	7,503,149	788,927	(52,557,855)		(52,557,855)
Component Unit:							
Learning Foundation	\$ 600,934	631,806				30,872	30,872
Total Component Unit	600,934	631,806	-0-	-0-	-0-	30,872	30,872
General revenues:							
Taxes:							
General purpose levies					\$ 21,978,350		21,978,350
Debt purpose levies					4,789,136		4,789,136
Unrestricted grants and contribution							
State					29,108,663		29,108,663
Federal					520,385		520,385
Private						27,126	27,126
Unrestricted investment income					992,291	9,996	1,002,287
Other					50,716	3,355	54,071
Total General Revenues					57,439,541	40,477	57,480,018
Changes in Net Assets					4,881,686	71,349	4,953,035
Net Assets - Beginning					36,938,513	1,875,515	38,814,028
Prior Period Adjustment					(9,240)		(9,240)
Net Assets - Restated					36,929,273	1,875,515	38,804,788
Net Assets - Ending					\$ 41,810,959	1,946,864	43,757,823

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

**TUPELO PUBLIC SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	District Construction Reserve	District Construction FY 07	
ASSETS				
Cash and cash equivalents	\$ 4,606,893			8,028,376
Investments	1,771,002	6,284,118		8,600,651
Due from other governments	1,729,829			2,350,295
Due from other funds	535,693		1,117,537	2,029,075
Inventories and prepaid items	26,686			135,909
Total Assets	\$ 8,670,103	6,284,118	1,117,537	21,144,306

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable and accrued liabilities	\$ 304,613		275,045	646,053
Due to other funds	1,538,805			2,029,075
Deferred revenue			17,473	17,473
Total Liabilities	1,843,418	-0-	275,045	2,692,601
Fund Balances:				
Reserved for:				
Unemployment benefits				157,186
Inventory	21,436			130,659
Prepaid items	5,250			5,250
Debt service				2,851,764
Unreserved:				
Designated for, reported in:				
Capital Projects funds		6,284,118	842,492	8,259,374
Undesignated, reported in:				
General fund	6,799,999			6,799,999
Special Revenue funds				247,473
Total Fund Balances	6,826,685	6,284,118	842,492	18,451,705
Total Liabilities and Fund Balances	\$ 8,670,103	6,284,118	1,117,537	21,144,306

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

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

Exhibit C-1

	Amount
Total Fund Balance - Governmental Funds	\$ 18,451,705
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 resources and therefore are not reported in the funds, net of accumulated depreciation of \$21,786,940.	61,055,727
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(37,705,304)
3. Net deferred charges on debt issuance costs	251,931
4. Interest payable on long-term liabilities	(254,049)
5. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:	10,949

Total Net Assets - Governmental Activities	\$ 41,810,959

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

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

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	District Construction Reserve	District Construction FY 07	Other Governmental Funds	
Revenues:					
Local sources	\$ 23,245,185	222,013		6,385,419	29,852,617
State sources	29,152,298			1,526,271	30,678,569
Federal sources	972,315			6,014,335	6,986,650
Total Revenues	53,369,798	222,013	-0-	13,926,025	67,517,836
Expenditures:					
Instruction	32,429,910			4,451,215	36,881,125
Support services	17,841,054	15,271	112,474	1,964,110	19,932,909
Noninstructional services	1,289			3,173,384	3,174,673
Facilities acquisition and construction	28,408		445,034	863,932	1,337,374
Debt service:					
Principal				3,911,704	3,911,704
Interest				1,706,082	1,706,082
Other				11,179	11,179
Total Expenditures	50,300,661	15,271	557,508	16,081,606	66,955,046
Excess (Deficiency) of Revenues Over Expenditures	3,069,137	206,742	(557,508)	(2,155,581)	562,790
Other Financing Sources (Uses):					
Insurance loss recoveries	15,246				15,246
Sale of transportation equipment	1,452				1,452
Sale of other property	4,609				4,609
Other financing sources				814	814
Operating transfers in	1,135,844		1,400,000	2,000,788	4,536,632
Operating transfers out	(4,087,965)			(448,667)	(4,536,632)
Other financing uses		(781)		(3,694)	(4,475)
Total Other Financing Sources (Uses)	(2,930,814)	(781)	1,400,000	1,549,241	17,646
Net Change in Fund Balances	138,323	205,961	842,492	(606,340)	580,436
Fund Balances:					
July 1, 2006	6,704,329	6,078,157		5,096,380	17,878,866
Prior period adjustment	(21,382)				(21,382)
July 1, 2006, as restated	6,682,947	6,078,157	-0-	5,096,380	17,857,484
Increase in reserve for inventory	5,415			8,370	13,785
June 30, 2007	6,826,685	6,284,118	842,492	4,498,410	18,451,705

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

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

Exhibit D-1

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 580,436
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$2,431,537 and the depreciation expense amounted to \$2,140,467.	291,070
2. Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Amortization of bond issuance costs	(47,375)
Amortization of bond premium	171,252
Amortization of advanced refunding difference	(98,046)
3. 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.	3,911,704
4. Losses from the disposal of capital assets are not reported in governmental funds, but the losses increase expenditures in the statement of activities.	(2,630)
5. Governmental funds report interest on long-term debt when due, whereas the statement of activities recognizes it as it accrues, regardless of when the financial resources are available. Accrued interest at year end was \$254,049 which is a decrease from last year.	41,165
6. Governmental funds do not recognize transactions that are not normally paid with expendable available resources. The statement of activities reports expenses and liabilities regardless of when financial resources are available. Compensated absences increased to \$512,896.	19,725
7. 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.	13,785
8. The net revenue of internal service funds is reported with governmental activities.	600
Change in Net Assets of Governmental Activities	\$ 4,881,686

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

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2007**

Exhibit E

	<u>Internal Service Fund-Insurance</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 13
Investments	<u>10,936</u>
Total current assets	<u>10,949</u>
Total Assets	<u><u>10,949</u></u>
Net Assets	
Unrestricted	<u>10,949</u>
Total Net Assets	<u><u>\$ 10,949</u></u>

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

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit F

	<u>Internal Service Fund-Insurance</u>
Nonoperating Revenues (Expenses)	
Interest Income	\$ 640
Other	<u>(40)</u>
Total Nonoperating Revenues (Expenses)	<u>600</u>
Change In Net Assets	600
Total Net Assets - July 1, 2006	<u>10,349</u>
Total Net Assets - June 30, 2007	<u><u>\$ 10,949</u></u>

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

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

Exhibit G

	<u>Internal Service Fund-Insurance</u>
Cash Flows From Investing Activities	
Interest on investments	\$ 600
Purchase of investments	<u>(599)</u>
Net Cash Used by Investing Activities	1
Net increase in cash and cash equivalents	1
Cash and cash equivalents - July 1, 2006	<u>12</u>
Cash and cash equivalents - June 30, 2007	<u><u>\$ 13</u></u>

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

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

Exhibit H

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 8,128	2,127,448
Investments	125,657	
Other receivables	4,000	
	137,785	2,127,448
Total Assets	137,785	2,127,448
Liabilities		
Accounts payable and accrued liabilities		2,091,480
Due to student clubs		35,968
		2,127,448
Total Liabilities	-0-	2,127,448
Net Assets		
Reserved for endowments	100,000	
Held in trust	37,785	
	137,785	
Total Net Assets	\$ 137,785	-0-

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

**TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit I

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ <u>7,653</u>
Total Additions	7,653
Deductions	
Scholarships awarded	<u>5,000</u>
Total Deductions	<u>5,000</u>
Change in Net Assets	2,653
Net Assets July 1, 2006	<u>135,132</u>
Net Assets June 30, 2007	\$ <u><u>137,785</u></u>

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

**TUPELO PUBLIC 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Tupelo since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

The accompanying basic financial statements present the Tupelo Public School District and its component units, entities for which the district is considered to be financially accountable in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Blended component units although legally separate entities are, in substance, part of the district's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Tupelo Public School District.

Component Units

The Tupelo Public Schools Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a three member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The Tupelo School District Learning Foundation (Foundation) is incorporated in Mississippi as a non-profit organization exclusively for educational purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code. The Foundations is considered to be a discretely presented component unit. The Foundation was formed to receive and maintain a contribution of an apartment complex and related assets and receives primarily all of its income from rentals of the apartments.

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 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 primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities and the discretely presented component unit 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 and for the discretely presented component unit. 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.

**TUPELO PUBLIC 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/expenses. Funds are organized into three major categories: governmental, proprietary, 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.

The school district reports the following major governmental fund:

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.

District Construction Reserve - This fund accounts for the monies set aside in anticipation of the expansion of additional classroom at several sites in an effort to reduce classroom sizes in grades k through 3.

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

Note 1: Summary of Significant Accounting Policies (Continued)

District Construction FY 07 - This fund accounts for summer renovations and repairs.

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.

PROPRIETARY FUNDS

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the district on a cost-reimbursement basis.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose Trust Funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

E. Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are reported as designation 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 consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 3 months or less. Cash and cash equivalents are valued at cost.

G. Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 3 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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

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

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

(*) The threshold amounts will correspond with the amounts for the asset classifications as listed. See note 4 for details.

J. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. 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 5 for details.

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

Note 1: Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions and Balances

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

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

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

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

L. Equity Classifications

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Reserved for 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.

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 financial resources.

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

O. Compensated Absences

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

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.

Note 2: Cash and Cash Equivalents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-

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

Note 2: Cash and Cash Equivalents and Investments (Continued)

end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, discretely presented component unit, proprietary funds and fiduciary funds was \$8,028,376, \$255,346, \$13 and \$2,135,576, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$8,283,735. The bank balance was \$13,026,835.

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 the 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 \$13,026,835 was exposed to custodial credit risk.

Investments

As of June 30, 2007, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Mississippi Education Investment Pool A	1 to 5	\$ 4,447,628	Various
Mississippi Education Investment Pool B	less than 1	<u>4,302,243</u>	Various
Total Investments		<u>\$ 8,749,871</u>	

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

Note 2: Cash and Cash Equivalents and Investments (Continued)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

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

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	\$ 535,693	1,538,805
District Construction FY 07	1,117,537	
Other Governmental Funds	<u>375,845</u>	<u>490,270</u>
Total	<u>\$ 2,029,075</u>	<u>2,029,075</u>

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

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

Note 3: Interfund Transactions and Balances (Continued)

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 1,135,844	4,087,965
District Construction FY 07	1,400,000	
Other Governmental Funds	<u>2,000,788</u>	<u>448,667</u>
Total	<u>\$ 4,536,632</u>	<u>4,536,632</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.

**TUPELO PUBLIC 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	\$ 3,922,182					3,922,182
Construction in progress	8,283,390	1,039,841		(7,337,114)		1,986,117
Total non-depreciable capital assets	<u>12,205,572</u>	<u>1,039,841</u>	<u>-0-</u>	<u>(7,337,114)</u>	<u>-0-</u>	<u>5,908,299</u>
<u>Depreciable capital assets</u>						
Buildings	51,342,884			6,811,743		58,154,627
Buildings improvements	9,594,453	166,339		174,180		9,934,972
Improvements other than buildings	1,387,055	131,196		351,191		1,869,442
Mobile equipment	3,839,894	475,156			6,150	4,321,200
Furniture and equipment	2,204,071	619,005	(176,849)		7,900	2,654,127
Total depreciable capital assets	<u>68,368,357</u>	<u>1,391,696</u>	<u>(176,849)</u>	<u>7,337,114</u>	<u>14,050</u>	<u>76,934,368</u>
<u>Less accumulated depreciation for:</u>						
Buildings	13,354,368	1,066,239				14,420,607
Buildings improvements	1,547,305	397,399				1,944,704
Improvements other than buildings	597,974	64,680				662,654
Mobile equipment	2,387,845	249,946			791	2,638,582
Furniture and equipment	1,931,292	362,203	(174,219)		1,117	2,120,393
Total accumulated depreciation	<u>19,818,784</u>	<u>2,140,467</u>	<u>(174,219)</u>	<u>-0-</u>	<u>1,908</u>	<u>21,786,940</u>
Total depreciable capital assets, net	<u>48,549,573</u>	<u>(748,771)</u>	<u>(2,630)</u>	<u>7,337,114</u>	<u>12,142</u>	<u>55,147,428</u>
Governmental activities capital assets, net	<u>\$ 60,755,145</u>	<u>291,070</u>	<u>(2,630)</u>	<u>-0-</u>	<u>12,142</u>	<u>61,055,727</u>

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

Note 4: Capital Assets (Continued)

The following is a summary of changes in the capital assets for the discretely presented component unit:

	Balance 7/1/2006	Additions	Retirements	Balance 6/30/2007
<u>Non-depreciable capital assets</u>				
Land	\$ 200,000			200,000
Total non-depreciable capital assets	<u>200,000</u>	<u>-0-</u>	<u>-0-</u>	<u>200,000</u>
<u>Depreciable capital assets</u>				
Buildings	3,210,000			3,210,000
Furniture and equipment	28,843			28,843
Total depreciable capital assets	<u>3,238,843</u>	<u>-0-</u>	<u>-0-</u>	<u>3,238,843</u>
<u>Less accumulated depreciation for:</u>				
Buildings	1,587,167	107,000		1,694,167
Furniture and equipment	28,095	748		28,843
Total accumulated depreciation	<u>1,615,262</u>	<u>107,748</u>	<u>-0-</u>	<u>1,723,010</u>
Total depreciable capital assets, net	<u>1,623,581</u>	<u>(107,748)</u>	<u>-0-</u>	<u>1,515,833</u>
Discretely presented component unit capital assets, net	<u>\$ 1,823,581</u>	<u>(107,748)</u>	<u>-0-</u>	<u>1,715,833</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 28,190
Support services	2,111,160
Non-instructional	<u>1,117</u>
Total governmental activities depreciation expense	<u>\$ 2,140,467</u>
Component unit:	
Learning foundation	\$ <u>107,748</u>
Total component unit depreciation expense	<u>\$ 107,748</u>

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

Note 4: Capital Assets (Continued)

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.

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

	Remaining Commitment	Required Future Financing
Roofing King/Milam/Carver	\$ 34,810	\$ -0-
Lawhon Gym Reroof	12,493	-0-
THS Softball Concession Stand	66,085	-0-
District Lighting	449,462	-0-
	\$ 562,850	\$ -0-

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	Balance 6/30/2007	Amounts due within one year
A. General obligation bonds payable	\$ 32,670,000		3,485,000	29,185,000	3,620,000
Deferred amount on refunding	(913,951)	98,046		(815,905)	
Unamortized premiums	1,404,507		171,252	1,233,255	
B. Limited obligation bonds payable	6,900,000		405,000	6,495,000	470,000
C. Obligations under energy efficiency lease	1,116,762		21,704	1,095,058	98,056
D. Compensated absences	532,621		19,725	512,896	
Total	\$ 41,709,939	98,046	4,102,681	37,705,304	4,188,056

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

Note 5: Long-term Liabilities (Continued)

A. General obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 1998	Varies	12/1/1998	9/1/2016	\$ 6,160,000	\$ 4,420,000
General obligation bonds, Series 1999	Varies	11/1/1999	11/1/2017	29,500,000	3,600,000
General obligation bonds, Series 2004	Varies	8/26/2004	12/1/2008	7,305,000	2,540,000
General obligation bonds, Series 2005	Varies	5/1/2005	11/1/2015	<u>18,750,000</u>	<u>18,625,000</u>
Total				<u>\$ 61,715,000</u>	<u>\$ 29,185,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,620,000	1,249,084	4,869,084
2009	3,775,000	1,096,505	4,871,505
2010	3,180,000	949,578	4,129,578
2011	3,035,000	824,563	3,859,563
2012	3,185,000	686,263	3,871,263
2013-2017	<u>12,390,000</u>	<u>1,236,893</u>	<u>13,626,893</u>
Total	<u>\$ 29,185,000</u>	<u>6,042,886</u>	<u>35,227,886</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2006. This debt will be retired from the BI 2005 Retirement, L/P 1999 Retirement, and BI 1999 Retirement funds.

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

Note 5: Long-term Liabilities (Continued)

B. Limited obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited obligation bonds, Series 2004	Various	8/26/2004	6/1/2017	\$ 7,320,000	\$ 6,495,000
Total				<u>\$ 7,320,000</u>	<u>\$ 6,495,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 470,000	235,615	705,615
2009	525,000	221,515	746,515
2010	535,000	205,765	740,765
2011	635,000	188,378	823,378
2012	660,000	166,153	826,153
2013-2017	<u>3,670,000</u>	<u>447,470</u>	<u>4,117,470</u>
Total	<u>\$ 6,495,000</u>	<u>1,464,896</u>	<u>7,959,896</u>

This debt will be retired from the STN 2005 Retirement fund.

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

Note 5: Long-term Liabilities (Continued)

C. Obligations under energy efficiency lease.

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

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2008	\$ 98,056	41,238	139,294
2009	101,975	37,318	139,293
2010	106,051	33,242	139,293
2011	110,290	29,003	139,293
2012	114,699	24,595	139,294
2013-2017	563,987	51,227	615,214
Total	\$ 1,095,058	216,623	1,311,681

An energy efficiency lease agreement dated January 23, 2006, was executed by and between the district, the lessee, and SunTrust Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$1,116,762 for the purchase of energy efficiency equipment, machinery, supplies building modifications, and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

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

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

This debt will be retired from the Lease Purchase 2006 Performance Contract Fund.

D. Compensated absences payable.

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

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

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 current rate is 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 \$4,106,031, \$3,785,346 and \$3,235,278, 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:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct a prior year error in recording an asset or liability	\$ (21,382)
To correct a prior year error in recording an asset or liability	12,142
Total	\$ <u>(9,240)</u>

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

<u>Major Fund</u>	<u>Explanation</u>	
General Fund	To correct a prior year error in recording an asset or liability	\$ (21,382)
	Total	\$ <u>(21,382)</u>

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

Note 8: 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 which 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 excess losses incurred by the pool.

Note 9: Prior Year Defeasance of Debt

In prior years, the Tupelo Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2007, \$28,740,000 of bonds outstanding was defeased.

REQUIRED SUPPLEMENTARY INFORMATION

**TUPELO PUBLIC 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	\$ 23,527,036	23,245,185	23,245,185	(281,851)	-0-
State sources	29,325,832	29,152,298	29,152,298	(173,534)	-0-
Federal sources	220,000	972,315	972,315	752,315	-0-
Total Revenues	<u>53,072,868</u>	<u>53,369,798</u>	<u>53,369,798</u>	<u>296,930</u>	<u>-0-</u>
Expenditures:					
Instruction	32,969,607	32,429,910	32,429,910	539,697	-0-
Support services	18,723,121	17,841,054	17,841,054	882,067	-0-
Non instructional services		1,289	1,289	(1,289)	-0-
Facilities acquisition and construction		28,408	28,408	(28,408)	-0-
Total Expenditures	<u>51,692,728</u>	<u>50,300,661</u>	<u>50,300,661</u>	<u>1,392,067</u>	<u>-0-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,380,140</u>	<u>3,069,137</u>	<u>3,069,137</u>	<u>1,688,997</u>	<u>-0-</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		15,246	15,246	15,246	-0-
Sale of transportation equipment		1,452	1,452	1,452	-0-
Sale of other property		4,609	4,609	4,609	-0-
Operating transfers in	1,121,350	1,135,844	1,135,844	14,494	-0-
Operating transfers out	(6,020,208)	(4,087,965)	(4,087,965)	1,932,243	-0-
Total Other Financing Sources (Uses)	<u>(4,898,858)</u>	<u>(2,930,814)</u>	<u>(2,930,814)</u>	<u>1,968,044</u>	<u>-0-</u>
Net Change in Fund Balances	<u>(3,518,718)</u>	<u>138,323</u>	<u>138,323</u>	<u>3,657,041</u>	<u>-0-</u>
Fund Balances:					
July 1, 2006	6,191,501	6,704,329	6,704,329	512,828	-0-
Prior period adjustment			(21,382)	-0-	(21,382)
July 1, 2006, as restated	<u>6,191,501</u>	<u>6,704,329</u>	<u>6,682,947</u>	<u>512,828</u>	<u>(21,382)</u>
Increase in reserve for inventory		5,415	5,415	5,415	-0-
June 30, 2007	<u>\$ 2,672,783</u>	<u>6,848,067</u>	<u>6,826,685</u>	<u>4,175,284</u>	<u>(21,382)</u>

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

**TUPELO PUBLIC 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 Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

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 consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

**TUPELO PUBLIC 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	\$ 204,973
Child Nutrition Cluster:		
School breakfast program	10.553	464,121
National school lunch program	10.555	1,414,884
Summer food service program for children	10.559	99,818
Total		<u>1,978,823</u>
Fresh fruit and vegetable program	10.582	38,103
Total U.S. Department of Agriculture		<u>2,221,899</u>
U.S. Department of Transportation		
Passed-through Mississippi Department of Transportation		
Highway planning and construction	20.205	138,129
Total U.S. Department of Transportation		<u>138,129</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	510,601
Total Federal Communications Commission		<u>510,601</u>
National Aeronautics and Space Administration		
Passed-through University of Mississippi:		
Aerospace education services program	43.001	4,500
Total National Aeronautics and Space Administration		<u>4,500</u>
National Science Foundation		
Education and human resources	47.076	2,668
Total National Science Foundation		<u>2,668</u>
U.S. Department of Education		
Direct program		
Fund for the improvement of postsecondary education	84.116	104,755

**TUPELO PUBLIC 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
Passed-through Mississippi Department of Education:		
Special Education Cluster:		
Special education - grants to states	84.027	1,618,954
Special education - preschool grants	84.173	116,796
Total		<u>1,735,750</u>
Title I - grants to local educational agencies	84.010	1,389,022
Vocational education - basic grants to state	84.048	67,057
Safe and drug-free schools and communities - state grants	84.186	34,323
Education for homeless children and youth	84.196	15,116
Innovation education program strategies	84.298	14,807
Education technology state grants	84.318	43,369
Teacher quality enhancement grants	84.336	1,080
English language acquisition grants	84.365	31,469
Improving teacher quality state grants	84.367	475,211
Grants for state assessments and related activities	84.369	2,515
Total passed-through MDE		<u>3,809,719</u>
Total U.S. Department of Education		<u>3,914,474</u>
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical Assistance program	93.778	165,749
Total passed-through MDE		<u>165,749</u>
Total U.S. Department of Health and Human Services		<u>165,749</u>
Corporation for National and Community Service		
Passed-through Mississippi Department of Education:		
Learn and serve america-school and community based program	94.004	146
Total Corporation for National and Community Service		<u>146</u>
U.S. Department of Homeland Security		
Passed-through Mississippi Emergency Management Agency:		
Disaster grants - public assistance (presidentially declared disasters)	97.036	14,589
Total Department of Homeland Security		<u>14,589</u>
Total for All Federal Awards		<u>\$ 6,972,755</u>

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

- 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.

**TUPELO PUBLIC 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	\$ 48,500,994	39,085,451	1,313,452	2,754,098	5,347,993
Other	18,454,052	4,357,966	498,811	59,580	13,537,695
Total	\$ 66,955,046	43,443,417	1,812,263	2,813,678	18,885,688
Total number of students	7,090				
Cost per student	\$ 9,444	6,127	256	397	2,664

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

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

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

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

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

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 FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Superintendent and School Board
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2007, which collectively comprise the Tupelo Public School District's basic financial statements and have issued our report thereon dated December 18, 2007. 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 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any 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.

December 18, 2007
Tupelo, Mississippi

J E Vance + Company

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

CERTIFIED PUBLIC ACCOUNTANTS

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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
Tupelo Public School District

Compliance

We have audited the compliance of the Tupelo Public 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, Tupelo Public 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 Tupelo Public 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 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 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.

December 18, 2007
Tupelo, Mississippi

J. E. Vance & Company

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND
REGULATIONS**

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2007, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated December 18, 2007. 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.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain 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 \$37,816 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.

December 18, 2007
Tupelo, Mississippi

J. E. Vance + Company

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditors' 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? | No |

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? | No |
| 6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? | No |
| 7. Federal program identified as a major program: | |
| a. Cluster: Child Nutrition | |
| CFDA #10.553 | |
| CFDA #10.555 | |
| CFDA #10.559 | |
| b. The Schools and Libraries Program of the Universal Service Fund | |
| CFDA #32.XXX | |

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

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

- | | |
|--|------------|
| 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 __.510(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 *Government 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.