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Calhoun County School District
Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

**Calhoun County School District
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FINANCIAL AUDIT REPORT

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

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Calhoun County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2008, which collectively comprise the Calhoun County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Calhoun County School District's management. Our responsibility is to express opinions on these basic 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District at June 30, 2008, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2008, on our consideration of the Calhoun County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 46 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 20, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CALHOUN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Calhoun County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the 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 increased \$2,738,440, which represents a 34% increase from fiscal year 2007, including a prior period adjustment of \$62,829.
- General revenues account for \$15,643,425, or 76% of all revenues. This amount was more than the general revenues for the year 2007. The general revenues for 2007 consisted of \$14,571,095, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,887,154, or 24% of total revenues compared to \$4,157,612 in 2007.
- The district had \$17,792,139 in expenses, amount that decreased when compared with the \$18,209,512 in expenses for the prior year; only \$4,887,154 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$15,643,425 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,848,664 in revenues and \$15,843,423 in expenditures. In 2007 the General Fund had \$14,883,679 in revenues and \$15,157,047 in expenditures.
- Capital assets, net of accumulated depreciation, increased by \$2,064,426 due primarily to the donation of a building by the City to be used as a Vo-Tech Center. This building has a maintenance shop that adjoins the Vo-Tech building.
- Long-term debt decreased by \$340,474 due primarily to the payment of principal on debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financial 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 22 and 26, respectively.

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

The basic governmental fund financial statements can be found on pages 20 and 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are 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 Assets and Liabilities on page 27.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-45 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 46-52 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 54 and 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$10,756,861 as of June 30, 2008.

By far the largest portion of the District's net assets (87%) reflects its investment in capital assets (e.g., land, buildings, 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 acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

	2008	2007	Percentage Change
Assets			
Current assets	\$ 2,454,009	2,122,754	16%
Capital assets, net	12,602,306	10,537,880	20%
Total assets	15,056,315	12,660,634	19%
Liabilities			
Current liabilities	171,708	111,164	54%
Long-term liabilities	4,127,746	4,468,220	-8%
Total liabilities	4,299,454	4,579,384	-6%
Net Assets:			
Invested in capital assets, net of related debt	9,382,306	7,092,880	32%
Restricted	1,308,817	961,402	36%
Unrestricted	65,738	26,968	144%
Total Net Assets	\$ 10,756,861	8,081,250	33%

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

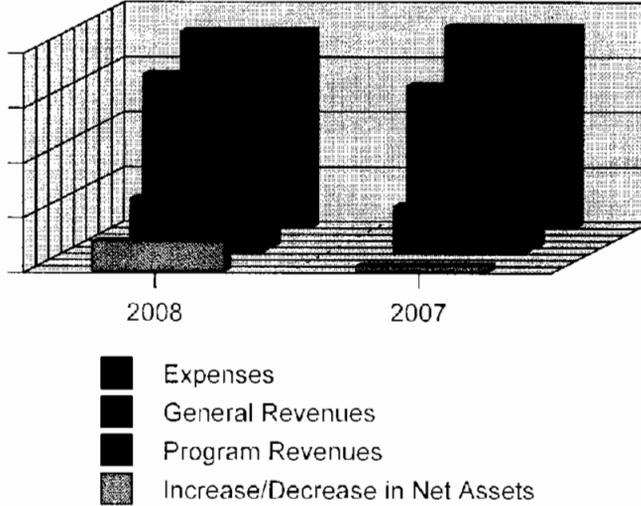
- The principal retirement of \$350,000 of long-term debt.
- The addition of a \$2,474,719 in depreciable capital assets. This includes a building donated by the City. Also \$129,753 was added to the construction in progress of the Vardaman Elementary classroom building.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$20,530,579. The total cost of all programs and services was \$17,792,139. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008, and 2007, respectively.

	2008	2007	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 865,651	869,618	0%
Operating Grants and Contributions	3,944,207	3,210,735	23%
Capital Grants and Contributions	77,296	77,259	0%
Total Program Revenues	4,887,154	4,157,612	18%
General Revenues			
Property Taxes	2,458,585	2,329,195	6%
Unrestricted Grants and Contributions	12,847,858	11,760,398	9%
Unrestricted Investment Earnings	88,978	123,979	-28%
Sixteenth Section Sources	126,601	40,111	216%
Other	121,403	317,412	-62%
Total General Revenues	15,643,425	14,571,095	7%
Total revenues	20,530,579	18,728,707	10%
Expenses			
Instruction	10,053,208	10,914,237	-8%
Support services	6,049,892	5,716,542	6%
Non-instructional	1,482,964	1,370,427	8%
Interest on long-term liabilities	182,506	200,968	-9%
Sixteenth section	23,569	7,338	221%
Total expenses	17,792,139	18,209,512	-2%
Increase (Decrease) in net assets	2,738,440	519,195	427%
Net Assets, July 1	8,081,250	7,580,742	7%
Prior Period Adjustment	(62,829)	(18,687)	236%
Net Assets, Restated	8,018,421	7,562,055	6%
Net Assets, June 30	\$ 10,756,861	8,081,250	33%

- Net cost of governmental activities (\$12,904,985), was financed by general revenue, which is made up of primarily property taxes \$2,458,585 and state revenue \$12,666,608.
- Investment earning accounted for \$88,978 of funding.

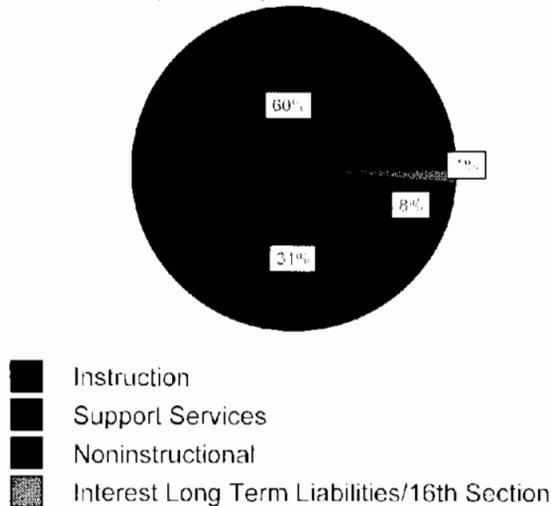
Comparative Chart as per Statement of Activities



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

	2008	2007	2008	2007
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 10,053,208	10,914,237	(7,660,236)	(8,901,998)
Support Services	6,049,892	5,716,542	(4,952,460)	(4,912,561)
Non-Instructional	1,482,964	1,370,427	(103,463)	(29,035)
Sixteenth Section	23,569	7,338	(6,320)	(7,338)
Interest on Long-Term Liabilities	182,506	200,968	(182,506)	(200,968)
	\$ 17,792,139	18,209,512	(12,904,985)	(14,051,900)

Expenses as per Statement of Activities



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 \$2,354,828, an increase of \$267,459. \$1,607,791 or 68% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. For example, debt service fund balance is to be used to retire the District's debt. Federal project and other grant funds received must be used to meet specific objectives as set forth in the grant application. The remaining fund balance of \$747,037 or 32% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$76,704. The fund balance of the School Lunch Fund showed a decrease of \$10,505. The fund balance of Other Governmental Funds showed an increase of \$342,525. The MAEP Cap. Impr. Bonds Debt Ret. Fund showed an increase of \$12,143.

BUDGETARY HIGHLIGHTS

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

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

Budget amounts for revenue and expenditures were amended as funding sources/amounts changed.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount.

Schedules showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, the School Lunch Fund, the Title I A Basic Fund, the EHA - IDEA Part B Fund, and the Vocational Education Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$20,293,265, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$2,397,499 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$7,690,959 and total depreciation expense for the year was \$466,568, resulting in total net capital assets of \$12,602,306.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	\$ 66,020	65,170	1%
Construction in progress	468,007	338,254	38%
Buildings	11,095,910	9,213,072	20%
Building improvements	-	62,829	-100%
Improvements other than buildings	55,801	55,801	0%
Mobile equipment	760,194	637,538	19%
Furniture and equipment	156,374	165,216	-5%
	\$ 12,602,306	10,537,880	20%

Additional information of the District's capital assets can be found in Note 4 on page 39 of this report.

Debt Administration. At June 30, 2008, the District had \$0 in general obligation bonds outstanding and \$4,127,746 other long-term debt outstanding, of which \$418,264 is due within one year.

			Percentage
	2008	2007	Change
Limited obligation bonds payable	\$ 3,220,000	3,445,000	-7%
Three mill notes payable	720,000	845,000	-15%
Shortfall notes payable	48,057	48,057	0%
Compensated absences	139,689	130,163	7%
	\$ 4,127,746	4,468,220	-8%

The District maintains a AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 40 of this report.

CURRENT ISSUES

The Calhoun County District is financially sound and has experienced stable, even slightly increasing enrollment since FY 2001. The District is proud of its community support of the public schools.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Calhoun County School District, 119 West Main Street, Pittsboro, MS 38951 .

FINANCIAL STATEMENTS

CALHOUN COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 1,439,843
<i>Due from other governments</i>	815,868
<i>Inventories and prepaid items</i>	56,718
<i>Restricted assets</i>	141,580
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	66,020
<i>Construction in progress</i>	468,007
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	11,095,910
<i>Improvements other than buildings</i>	55,801
<i>Mobile equipment</i>	760,194
<i>Furniture and equipment</i>	156,374
Total Assets	15,056,315
Liabilities	
<i>Accounts payable and accrued liabilities</i>	94,281
<i>Unearned revenue</i>	4,900
<i>Interest payable on long-term liabilities</i>	72,527
<i>Long-term liabilities (due within one year):</i>	
<i>Capital related liabilities</i>	235,000
<i>Non-capital related liabilities</i>	183,264
<i>Long-term liabilities (due beyond one year)</i>	
<i>Capital related liabilities</i>	2,985,000
<i>Non-capital related liabilities</i>	724,482
Total Liabilities	4,299,454
NET ASSETS	
<i>Invested in Capital Assets, Net of Related Debt</i>	9,382,306
<i>Restricted Net Assets:</i>	
<i>Expendable:</i>	
<i>School - based activities</i>	677,871
<i>Debt Service</i>	494,520
<i>Capital Improvements</i>	13,154
<i>Forestry Improvements</i>	74,655
<i>Unemployment Benefits</i>	48,617
<i>Unrestricted</i>	65,738
Total Net Assets	\$ 10,756,881

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
<i>Instruction</i>	10,053,208	519,736	1,795,940	77,296	(7,660,236)
<i>Support services</i>	6,049,892	--	1,097,432	--	(4,952,460)
<i>Noninstructional services</i>	1,482,964	328,666	1,050,835	--	(103,463)
<i>Sixteenth section</i>	23,569	17,249	--	--	(6,320)
<i>Interest on long-term liabilities</i>	182,506	--	--	--	(182,506)
Total Governmental Activities	\$ 17,792,139	\$ 865,651	\$ 3,944,207	\$ 77,296	(12,904,985)
General Revenues:					
Taxes:					
<i>General purpose levies</i>					2,217,180
<i>Debt purpose levies</i>					241,405
Unrestricted grants and contributions:					
<i>State</i>					12,666,608
<i>Federal</i>					181,250
<i>Unrestricted investment earnings</i>					88,978
<i>Sixteenth section sources</i>					126,601
<i>Other</i>					121,403
Total general revenues					15,643,425
Change in Net Assets					2,738,440
Net Assets - Beginning					8,081,250
Prior Period Adjustment					(62,829)
Net Assets - Beginning - Restated					8,018,421
Net Assets - Ending					\$ 10,756,861

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	School Lunch Fund	Title I A Basic -
ASSETS			
<i>Cash and cash equivalents</i>	\$ 427,558	\$ 271,178	\$ --
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	246,924	--	104,679
<i>Due from other funds</i>	358,700	--	--
<i>Inventories and prepaid items</i>	34,583	22,135	--
Total Assets	\$ 1,067,765	\$ 293,313	\$ 104,679
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 94,281	\$ --	\$ --
<i>Due to other funds</i>	--	--	104,679
<i>Unearned revenue</i>	--	--	--
Total Liabilities	94,281	--	104,679
Fund balances:			
Reserved for:			
<i>Inventory</i>	--	22,135	--
<i>Prepaid items</i>	34,583	--	--
<i>Forestry improvements</i>	--	--	--
<i>Unemployment benefits</i>	--	--	--
<i>Debt service funds</i>	--	--	--
Unreserved, undesignated, reported in:			
<i>General fund</i>	938,901	--	--
<i>Special Revenue funds</i>	--	271,178	--
<i>Capital projects funds</i>	--	--	--
Total Fund Balances	973,484	293,313	--
Total Liabilities and Fund Balances	\$ 1,067,765	\$ 293,313	\$ 104,679

The accompanying notes are an integral part of this statement.

EXHIBIT C

EHA IDEA Part B	Vocational Education Fund	MAEP Capital Improvement Bonds Debt Retirement	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 741,107	\$ 1,439,843
--	--	141,580	--	141,580
69,823	125,982	196,671	71,789	815,868
--	--	--	--	358,700
--	--	--	--	56,718
<u>\$ 69,823</u>	<u>\$ 125,982</u>	<u>\$ 338,251</u>	<u>\$ 812,896</u>	<u>\$ 2,812,709</u>
\$ --	\$ --	\$ --	\$ --	\$ 94,281
69,823	125,982	--	58,216	358,700
--	--	--	4,900	4,900
<u>69,823</u>	<u>125,982</u>	<u>--</u>	<u>63,116</u>	<u>457,881</u>
--	--	--	--	22,135
--	--	--	--	34,583
--	--	--	74,655	74,655
--	--	--	48,617	48,617
--	--	338,251	228,796	567,047
--	--	--	--	938,901
--	--	--	384,558	655,736
--	--	--	13,154	13,154
<u>--</u>	<u>--</u>	<u>338,251</u>	<u>749,780</u>	<u>2,354,828</u>
<u>\$ 69,823</u>	<u>\$ 125,982</u>	<u>\$ 338,251</u>	<u>\$ 812,896</u>	<u>\$ 2,812,709</u>

CALHOUN COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances - governmental funds balance sheet	\$ 2,354,828
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	12,602,306
Liabilities due in one year are not recognized in the funds.	(413,057)
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,985,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(72,527)
Payables for notes which are not due in the current period are not reported in the funds.	(590,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(139,689)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 10,756,861</u>

The accompanying notes are an integral part of this statement.

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CALHOUN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	School Lunch Fund	Title I A Basic
Revenue:			-
Local sources	\$ 2,910,501	\$ 360,821	\$ --
State sources	12,737,357	7,263	--
Federal sources	200,806	1,107,644	695,369
Sixteenth section sources	--	--	--
Total revenues	<u>15,848,664</u>	<u>1,475,728</u>	<u>695,369</u>
Expenditures:			
Instruction	10,365,011	--	495,994
Support services	5,362,536	136,357	66,377
Noninstructional services	115,876	1,274,876	6,493
Sixteenth section	--	--	--
Facilities acquisition and construction	--	--	--
Debt service:			
Principal	--	--	--
Interest	--	--	--
Other	--	--	--
Total expenditures	<u>15,843,423</u>	<u>1,411,233</u>	<u>568,864</u>
Excess (deficiency) of revenues (over) expenditures	5,241	64,495	126,505
Other financing sources (uses):			
Sale of transportation equipment	4,518	--	--
Operating transfers in	--	--	1,500
Operating transfers out	(86,463)	(75,000)	(128,005)
Total other financing sources (uses)	<u>(81,945)</u>	<u>(75,000)</u>	<u>(126,505)</u>
Net change in fund balance	(76,704)	(10,505)	--
Fund Balances:			
July 1, 2007	1,050,188	307,867	--
Increase (decrease) in reserve for inventory	--	(4,049)	--
June 30, 2008	<u>\$ 973,484</u>	<u>\$ 293,813</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

EHA IDEA Part B	Vocational Education Fund	MAEP Capital Improvement Bonds Debt Retirement	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 2,151	\$ 282,420	\$ 3,555,893
--	125,982	393,342	579,853	13,843,797
598,999	--	--	384,221	2,987,039
--	--	--	143,850	143,850
<u>598,999</u>	<u>125,982</u>	<u>395,493</u>	<u>1,390,344</u>	<u>20,530,579</u>
194,486	125,982	--	751,362	11,932,835
404,513	--	--	239,953	6,209,736
--	--	--	35,014	1,432,259
--	--	--	23,569	23,569
--	--	--	129,432	129,432
--	--	225,000	125,000	350,000
--	--	157,660	31,457	189,117
--	--	690	--	690
<u>598,999</u>	<u>125,982</u>	<u>383,350</u>	<u>1,335,787</u>	<u>20,267,638</u>
--	--	12,143	54,557	262,941
--	--	--	--	4,518
--	--	--	335,317	336,817
--	--	--	(47,349)	(336,817)
--	--	--	<u>287,968</u>	<u>4,518</u>
--	--	12,143	342,525	267,459
--	--	326,108	407,255	2,091,418
--	--	--	--	(4,049)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 338,251</u>	<u>\$ 749,780</u>	<u>\$ 2,354,828</u>

CALHOUN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$ 267,459
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	439,722
The depreciation of capital assets used in governmental activities is not reported in the funds.	(466,568)
The gain or loss on the sale of capital assets is not reported in the funds.	(6,981)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(4,518)
Donations of capital assets increase net assets in the SOA but not in the funds.	2,165,600
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	(4,049)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	225,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	125,000
(Increase) decrease in accrued interest from beginning of period to end of period	7,301
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	<u>(9,526)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 2,738,440</u>

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency Funds</u>
Assets:	
<i>Cash and cash equivalents</i>	\$ 906,774
Total Assets	<u>\$ 906,774</u>
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 827,207
<i>Due to student clubs</i>	79,567
Total Liabilities	<u>\$ 906,774</u>

The accompanying notes are an integral part of this statement.

Calhoun County School District

Notes to the Financial Statements
June 30, 2008

Calhoun County School District

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses 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

Calhoun County School District

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

district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Calhoun County School District

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

School Lunch Fund - This is the school district fund for the recording of transactions related to the child nutrition program.

Title I A Basic Fund - This fund accounts for the transactions of the Title I Grant. This is a federal grant available to local educational agencies.

EHA IDEA Part B Fund - This fund accounts for the transactions of the special education grants to states program.

Vocational Education Fund - This fund is used to account for the revenues and expenditures of local programs of vocational education.

MAEP Capital Improvement Bonds Debt Retirement Fund - This fund is used to account for revenues used to retire the principal and interest on the MAEP Debt.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial*

Calhoun County School District

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

Reporting as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in the *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity of greater than three months when acquired. Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated inventories are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The cost of governmental fund type inventories are reported as expenditures when purchased.

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

Calhoun County School District

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

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 assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following scale details those thresholds.

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

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

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.

Calhoun County School District

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

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

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

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

L. Equity Classifications.

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

Calhoun County School District

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

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

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

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

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

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, undesignated - they represent portions of fund equity that are not legally segregated for a specific future use and are available for current operations.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

Calhoun County School District

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

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.

(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 Deposit Insurance Corporation.

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

Calhoun County School District

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

Cash and Cash Equivalents.

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$1,439,843, and \$906,774 respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash Equivalents \$1,439,843 and restricted assets \$141,580. The restricted assets of \$141,580 represent the MAEP Retirement Fund which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$3,917,934.

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, 2008, none of the district's bank balance of \$3,917,934 was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments in the Hancock Bank's Trust Department investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Treasury Securities Money Market Funds	N/A	\$ <u>141,580</u>	A

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

Calhoun County School District

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Hancock Horizon Treasury Sec. Money Market CI A	141,580	100%
	<u>\$ 141,580</u>	

(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	\$ 358,700	\$ 0
Title I A Basic	0	104,679
EHA IDEA Part B	0	69,823
Adult Education Fund	0	125,982
Other governmental funds	<u>0</u>	<u>58,216</u>
Total Funds	<u>\$358,700</u>	<u>\$358,700</u>

The purpose of the Due From/To other funds balances was to eliminate deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 0	\$ 86,463
School Lunch Fund	0	75,000
Title I A Basic	1,500	128,005

Calhoun County School District

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

Other Governmental Funds	<u>335,317</u>	<u>47,349</u>
Total Funds	<u>\$ 336,817</u>	<u>\$336,817</u>

The purpose of the transfers was to reimburse federal administrative costs, to move indirect cost to operating account, for construction uses, etc. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

	Balance 7-01-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
<u>Non-depreciable capital assets:</u>						
Land	\$ 65,170	850				66,020
Construction in progress	338,254	129,753				468,007
Total non-depreciable capital assets	<u>403,424</u>	<u>130,603</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>534,027</u>
<u>Depreciable capital assets:</u>						
Buildings	14,333,424	2,165,600				16,499,024
Building improvements	65,447				(65,447)	0
Improvements other than buildings	279,007					279,007
Mobile equipment	2,192,638	258,986	111,946			2,339,678
Furniture and equipment	621,826	50,133	30,430			641,529
Total depreciable capital assets	<u>17,492,342</u>	<u>2,474,719</u>	<u>142,376</u>	<u>0</u>	<u>(65,447)</u>	<u>19,759,238</u>
<u>Less accumulated depreciation for:</u>						
Buildings	5,120,352	282,762				5,403,114
Building improvements	2,618				(2,618)	0
Improvements other than buildings	223,206					223,206
Mobile equipment	1,555,100	125,135	100,751			1,579,484
Furniture and equipment	456,610	58,671	30,126			485,155
Total accumulated depreciation	<u>7,357,886</u>	<u>466,568</u>	<u>130,877</u>	<u>0</u>	<u>(2,618)</u>	<u>7,690,959</u>
Total depreciable capital assets, net	<u>10,134,456</u>	<u>2,008,151</u>	<u>11,499</u>	<u>0</u>	<u>(62,829)</u>	<u>12,068,279</u>
Governmental activities capital assets, net	<u>\$ 10,537,880</u>	<u>2,138,754</u>	<u>11,499</u>	<u>0</u>	<u>(62,829)</u>	<u>12,602,306</u>

Adjustments were made to eliminate items that should have been capitalized in prior year.

Depreciation expense was charged to the following governmental functions:

Calhoun County School District

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

	<u>Amount</u>
Instruction	\$ 326,598
Support Services	93,314
Non-instructional	46,656
Total depreciation expense	\$ <u>466,568</u>

The commitment under construction contract at June 30, 2008, is summarized as follows:

Vardaman Elementary School classroom building. There is no contract outstanding on this project and is not completed as of June 30, 2008. It is being finished as district funds become available over several years.

(5) Long-term Liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2007	Amounts due within one year
A. Limited obligation bonds payable	\$ 3,445,000		225,000		3,220,000	235,000
B. Three mill notes payable	845,000		125,000		720,000	130,000
C. Shortfall notes payable	48,057				48,057	48,057
D. Compensated absences payable	130,163	9,526			139,689	5,207
Total	<u>\$ 4,468,220</u>	<u>9,526</u>	<u>350,000</u>	<u>0</u>	<u>4,127,746</u>	<u>418,264</u>

A. Limited obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
MAEP Capital Improvement	varies	06/98	02/18	\$4,625,000	\$3,220,000

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

Calhoun County School District

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 235,000	143,978	378,978
2010	245,000	131,655	376,655
2011	260,000	120,415	380,415
2012	270,000	108,355	378,355
2013	285,000	95,448	380,448
2014-2018	1,635,000	252,615	1,887,615
2019	290,000	6,525	296,525
Total	\$ <u>3,220,000</u>	<u>858,991</u>	<u>4,078,991</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the fund 4041 (MAEP Retirement Fund).

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Ltd. Tax Note	4.02%	9/5/02	9/1/12	\$1,300,000	\$720,000

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 130,000	26,331	156,331
2010	140,000	20,904	160,904
2011	145,000	15,175	160,175
2012	150,000	9,246	159,246
2013	155,000	3,116	158,116
Total	\$ <u>720,000</u>	<u>74,772</u>	<u>794,772</u>

This debt will be retired from the three mill fund.

Calhoun County School District

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

C. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
<i>Shortfall notes payable</i>	2.9%	08-12-07	08-01-08	\$ 48,057	48,057
Total				\$ 48,057	48,057

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 48,057	1,394	49,451

This debt will be retired from the Shortfall Debt tax levy Fund.

D. Compensated Absences.

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

(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

Calhoun County School District

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

rate for fiscal year ending June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$1,301,869, \$1,186,129, and \$1,122,451, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2009	\$ 11,220
2010	11,140
2011	5,240
2012	4,820
2013	4,820
2014-2018	24,100
2019-2023	24,100
2024-2028	24,100
2029-2033	15,548
Thereafter	7,750
Total	\$ <u>132,838</u>

(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.

Calhoun County School District

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

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 95 school districts and covers risks of loss arising from injuries to the member'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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, 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.

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To eliminate items that should not have been capitalized in prior year.	\$ <u>(62,829)</u>

(10) Subsequent Event.

Subsequent to June 30, 2008, Calhoun County School District issued the following debt obligations:

<u>Issue Date</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source</u>
06-30-08	\$3,084,000	MAEP Ref. Bond	An irrevocable pledge of certain revenue the district is to receive from the State of MS pursuant to the MS Accountability and Adequate Education Program Act.

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REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit I

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,154,151	3,195,408	2,910,501	41,257	(284,907)
State sources	13,109,747	12,723,926	12,737,357	(385,821)	13,431
Federal sources	231,759	262,414	200,806	30,655	(61,608)
Total Revenues	<u>16,495,657</u>	<u>16,181,748</u>	<u>15,848,664</u>	<u>(313,909)</u>	<u>(333,084)</u>
Expenditures:					
Instruction	11,099,121	10,685,830	10,365,011	413,291	320,819
Support services	5,415,465	5,984,677	5,362,536	(569,212)	622,141
Noninstructional services	182,367	177,490	115,876	4,877	61,614
Facilities acquisition and construction	400,000			400,000	0
Debt Service					
Principal				0	0
Interest				0	0
Total Expenditures	<u>17,096,953</u>	<u>16,847,997</u>	<u>15,843,423</u>	<u>248,956</u>	<u>1,004,574</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(601,296)</u>	<u>(666,249)</u>	<u>5,241</u>	<u>(64,953)</u>	<u>671,490</u>
Other Financing Sources (Uses):					
Sale of transportation equipment		4,518	4,518	4,518	0
Transfers In	860,694	872,414		11,720	(872,414)
Other Financing Sources	55,903			(55,903)	0
Other Financing Uses	(55,903)			55,903	0
Transfers out	<u>(714,469)</u>	<u>(889,151)</u>	<u>(86,463)</u>	<u>(174,682)</u>	<u>802,688</u>
Total Other Financing Sources (Uses)	<u>146,225</u>	<u>(12,219)</u>	<u>(81,945)</u>	<u>(158,444)</u>	<u>(69,726)</u>
Net Change in Fund Balances	<u>(455,071)</u>	<u>(678,468)</u>	<u>(76,704)</u>	<u>(223,397)</u>	<u>601,764</u>
Fund Balances:					
July 1, 2007	724,681	1,050,190	1,050,188	325,509	(2)
June 30, 2008	<u>\$ 269,610</u>	<u>371,722</u>	<u>973,484</u>	<u>102,112</u>	<u>601,762</u>

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

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 School Lunch Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 283,800	283,800	360,821	0	77,021
State sources	6,500	6,500	7,263	0	763
Federal sources	975,400	975,400	1,107,644	0	132,244
Total Revenues	<u>1,265,700</u>	<u>1,265,700</u>	<u>1,475,728</u>	<u>0</u>	<u>210,028</u>
Expenditures:					
Support services	178,409	178,409	136,357	0	42,052
Noninstructional	1,296,914	1,295,914	1,274,876	1,000	21,038
Total Expenditures	<u>1,475,323</u>	<u>1,474,323</u>	<u>1,411,233</u>	<u>1,000</u>	<u>63,090</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(209,623)</u>	<u>(208,623)</u>	<u>64,495</u>	<u>1,000</u>	<u>273,118</u>
Other Financing Sources (Uses):					
Other financing sources	200			(200)	0
Other financing uses	(200)			200	0
Operating transfers out	(75,000)	(75,000)	(75,000)	0	0
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>200</u>	<u>0</u>
Net Change in Fund Balances	<u>(284,623)</u>	<u>(283,623)</u>	<u>(10,505)</u>	<u>1,000</u>	<u>273,118</u>
Fund Balances:					
July 1, 2007	292,000	307,867	307,867	15,867	0
Increase (decrease) in inventory		(4,049)	(4,049)	(4,049)	0
June 30, 2008	\$ <u>7,377</u>	<u>20,195</u>	<u>293,313</u>	<u>12,818</u>	<u>273,118</u>

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

CALHOUN COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Title I A Basic Fund
For the Year Ended June 30, 2008

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 779,545	776,269	695,369	(3,276)	(80,900)
Total Revenues	<u>779,545</u>	<u>776,269</u>	<u>695,369</u>	<u>(3,276)</u>	<u>(80,900)</u>
Expenditures:					
Instruction	538,703	518,857	495,994	19,846	22,863
Support services	92,001	113,401	66,377	(21,400)	47,024
Noninstructional services	9,989	6,688	6,493	3,301	195
Total Expenditures	<u>640,693</u>	<u>638,946</u>	<u>568,864</u>	<u>1,747</u>	<u>70,082</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>138,852</u>	<u>137,323</u>	<u>126,505</u>	<u>(1,529)</u>	<u>(10,818)</u>
Other Financing Sources (Uses):					
Operating Transfers in		1,500	1,500	1,500	0
Operating Transfers out	<u>(138,852)</u>	<u>(138,823)</u>	<u>(128,005)</u>	<u>29</u>	<u>10,818</u>
Total Other Financing Sources (Uses)	<u>(138,852)</u>	<u>(137,323)</u>	<u>(126,505)</u>	<u>1,529</u>	<u>10,818</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2007	0	0	0	0	0
June 30, 2008	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 4

Budgetary Comparison Schedule

EHA IDEA Part B Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 661,441	657,503	598,999	(3,938)	(58,504)
Total Revenues	<u>661,441</u>	<u>657,503</u>	<u>598,999</u>	<u>(3,938)</u>	<u>(58,504)</u>
Expenditures:					
Instruction	183,350	228,913	194,486	(45,563)	34,427
Support services	478,046	428,590	404,513	49,456	24,077
Total Expenditures	<u>661,396</u>	<u>657,503</u>	<u>598,999</u>	<u>3,893</u>	<u>58,504</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>45</u>	<u>0</u>	<u>0</u>	<u>(45)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating Transfers out	0			0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>45</u>	<u>0</u>	<u>0</u>	<u>(45)</u>	<u>0</u>
Fund Balances:					
July 1, 2007	0	0	0	0	0
June 30, 2008	<u>\$ 45</u>	<u>0</u>	<u>0</u>	<u>(45)</u>	<u>0</u>

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

CALHOUN COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Vocational Education Fund
 For the Year Ended June 30, 2008

Exhibit 5

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$	126,000	125,982	126,000	(18)
Total Revenues	0	126,000	125,982	126,000	(18)
Expenditures:					
Instruction		126,000	125,982	(126,000)	18
Support services				0	0
Total Expenditures	0	126,000	125,982	(126,000)	18
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0	0
Other Financing Sources (Uses):					
Operating Transfers out	0			0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2007	0	0	0	0	0
June 30, 2008	\$	0	0	0	0

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

Calhoun County School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Calhoun County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	330,255
National School Lunch Program	10.555	812,403
Total child nutrition cluster		<u>1,142,658</u>
Fresh Fruits and Vegetable Program	10.582	35,014
Conservation Reserve Program	10.069	11,966
Total passed-through the MDE		<u>46,980</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>1,189,638</u>
U.S. DEPARTMENT OF DEFENSE		
Passed-through the Calhoun County, Mississippi		
Flood Control Projects	12.106	27,514
Total passed-through the Calhoun County, Mississippi		<u>27,514</u>
TOTAL U. S. DEPARTMENT OF DEFENSE		<u>27,514</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	47,523
Total Federal Communication Commission		<u>47,523</u>
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	696,869
Career and Technical Education - Basic Grants to States	84.048	29,984
Safe and Drug Free Schools and Communities - State Grants	84.186	14,418
State Grants for Innovative Programs	84.298	45,114
Education Technology State Grants	84.318	6,832
Rural Education	84.358	73,732
English Language Acquisition Grants	84.365	20,724
Improving Teacher Quality - State Grants	84.367	186,210
Grants for State Assessments and Related Activities	84.369	1,720
Special Education Cluster:		
Special Education - Grants to States	84.027	608,149
Special Education - Preschool Grants	84.173	19,637
Total special education cluster		<u>627,786</u>
Total passed-through the MDE		<u>1,703,389</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,703,389</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$2,968,064</u>

Notes to Schedule

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

Calhoun County School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2008

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 15,036,817	11,883,583	628,945	870,985	1,653,304
Other	5,230,821	1,786,170	185,922	37,082	3,221,647
Total	\$ 20,267,638	13,669,753	814,867	908,067	4,874,951
Total number of students *	2,537				
Cost per student	\$ 7,989	5,388	321	358	1,922

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); Support Services - Business (2500s)
- School Administration** - includes expenditures for the following functions: Support Services - School Administration (2400s)
- Other** - includes all expenditure functions not included in Instruction or Administration categories

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

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

OTHER SUPPLEMENTAL INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 2,910,501	3,145,947	2,825,664	2,722,768
State sources	12,737,357	11,497,561	11,152,179	10,325,725
Federal sources	200,806	240,171	214,360	166,665
Total Revenues	<u>15,848,664</u>	<u>14,883,679</u>	<u>14,192,203</u>	<u>13,215,158</u>
Expenditures:				
Instruction	10,365,011	9,779,050	9,410,393	8,530,268
Support services	5,362,536	4,865,770	5,003,530	4,318,191
Noninstructional services	115,876	141,350	133,503	144,219
Facilities acquisition and construction		370,877	260,540	2,818
Total Expenditures	<u>15,843,423</u>	<u>15,157,047</u>	<u>14,807,966</u>	<u>12,995,496</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,241</u>	<u>(273,368)</u>	<u>(615,763)</u>	<u>219,662</u>
Other Financing Sources (Uses):				
Proceeds of loans		48,057		
Insurance loss recoveries			2,465	
Sale of transportation equipment	4,518			
Operating transfers in		200,732	1,140,121	387,062
Other financing sources			39,038	40,231
Operating transfers out	(86,463)	(5,248)	(852,343)	(433,924)
Other financing uses			(39,038)	(42,069)
Total Other Financing Sources (Uses)	<u>(81,945)</u>	<u>243,541</u>	<u>290,243</u>	<u>(48,700)</u>
Net Change in Fund Balances	<u>(76,704)</u>	<u>(29,827)</u>	<u>(325,520)</u>	<u>170,962</u>
Fund Balances:				
July 1,	1,050,188	1,080,015	1,405,535	1,234,573
June 30,	<u>\$ 973,484</u>	<u>1,050,188</u>	<u>1,080,015</u>	<u>1,405,535</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CALHOUN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 3,555,893	3,640,205	3,236,485	3,262,601
State sources	13,843,797	12,026,765	11,678,776	10,867,163
Federal sources	2,987,039	3,021,627	3,030,074	2,907,124
Sixteenth section sources	143,850	40,111	241,276	14,737
Total Revenues	<u>20,530,579</u>	<u>18,728,708</u>	<u>18,186,611</u>	<u>17,051,625</u>
Expenditures:				
Instruction	11,932,835	10,797,754	10,608,565	9,588,163
Support services	6,209,736	5,716,539	6,084,306	5,300,635
Noninstructional services	1,432,259	1,383,159	1,276,603	1,218,979
Sixteenth section	23,569	7,338	9,935	5,587
Facilities acquisition and construction	129,432	447,755	260,540	340,114
Debt service:				
Principal	350,000	335,000	320,000	305,000
Interest	189,117	207,241	223,796	238,818
Other	690	710		
Total Expenditures	<u>20,267,638</u>	<u>18,895,496</u>	<u>18,783,745</u>	<u>16,997,296</u>
Excess (Deficiency) of Revenues over Expenditures	<u>262,941</u>	<u>(166,788)</u>	<u>(597,134)</u>	<u>54,329</u>
Other Financing Sources (Uses):				
Proceeds of loans		48,057		
Insurance loss recoveries			2,465	
Sale of transportation equipment	4,518			
Operating transfers in	336,817	329,762	1,295,832	692,665
Other financing sources			39,038	40,231
Operating transfers out	(336,817)	(329,762)	(1,295,832)	(692,665)
Other financing uses			(39,842)	(42,897)
Total Other Financing Sources (Uses)	<u>4,518</u>	<u>48,057</u>	<u>1,661</u>	<u>(2,666)</u>
Net Change in Fund Balances	<u>267,459</u>	<u>(118,731)</u>	<u>(595,473)</u>	<u>51,663</u>
Fund Balances:				
July 1,	2,091,418	2,219,616	2,815,368	2,762,306
Prior period adjustments		(18,687)		
July 1, as restated	<u>2,091,418</u>	<u>2,200,929</u>	<u>2,815,368</u>	<u>2,762,306</u>
Increase (Decrease) in reserve for inventory	<u>(4,049)</u>	<u>9,220</u>	<u>(279)</u>	<u>1,399</u>
June 30,	<u>\$ 2,354,828</u>	<u>2,091,418</u>	<u>2,219,616</u>	<u>2,815,368</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Calhoun County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2008, which collectively comprise the Calhoun County School District's basic financial statements and have issued our report thereon dated November 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinion 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 material 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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

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regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 20, 2008

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Calhoun County School District

Compliance

We have audited the compliance of the Calhoun County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. 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 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, the Calhoun County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or

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operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 20, 2008

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Calhoun County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2008, which collectively comprise Calhoun County School District's basic financial statements and have issued our report thereon dated November 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33 (3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$178 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 20, 2008

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Calhoun County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material 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 programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
 - b. Special Education Cluster.
CFDA# 84.027
CFDA# 84.173
8. The dollar threshold used to distinguish between Type A and Type B programs was:
\$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Financial Statement Findings

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.

Calhoun County School District
P.O. Box 58
Pittsboro, MS 38951
Mrs. Mike Moore - Superintendent
Mrs. Teresa Dunn - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the Calhoun County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

<u>Finding</u>	<u>Status</u>
2007-1	Corrected