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CARROLL COUNTY SCHOOL DISTRICT

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JOEL B. CUNNINGHAM

CERTIFIED PUBLIC ACCOUNTANT
202 CHURCH STREET
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675
(662) 247-2416

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

Superintendent and School Board
Carroll County School District
Carroll County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2008, which collectively comprise the Carroll County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Carroll County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

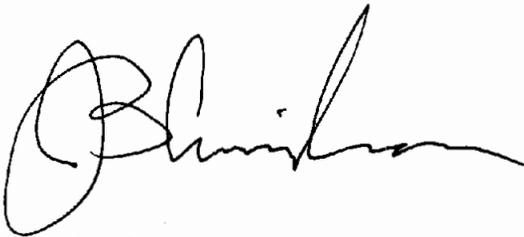
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Carroll County School District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009 on our consideration of the Carroll County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages (4) through (10) and the Budgetary Comparison Schedule and corresponding notes on pages (35) through (39) 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 Carroll 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 Balance, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balance, 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.

A handwritten signature in black ink, appearing to read 'Joel B. Cunningham', with a large, stylized initial 'J'.

Joel B. Cunningham, CPA

April 17, 2009

CARROLL COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

CARROLL COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The discussion and analysis of Carroll 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 \$119,788, which represents a 2% increase from fiscal year 2007.
- General revenues account for \$7,227,846 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,306,902 or 24% of total revenues.
- The District had \$9,414,960 in expenses; only \$2,306,902 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,227,846 were adequate to provide for these programs.
- Among major funds, the General Fund had \$6,437,455 in revenues and \$6,801,206 in expenditures. The General Fund's fund balance decreased \$113,270 over the prior year. The 16th Section Interest Fund had \$308,586 in revenues and \$4,590 in expenses with a \$68,639 decrease in fund balance. The 16th Section Principal Fund had \$362,827 in revenues and \$113,979 in expenses with a \$168,907 increase in fund balance. The Distance Learning Fund had \$11,873 in revenues and \$11,873 in expenses, with no change in fund balance. The Construction Fund had \$2,301 in revenues and \$66,849 in expenses with a \$1,135,452 increase in fund balance.
- Capital assets, net of accumulated depreciation, decreased by \$95,217.
- Long-term debt increased by \$994,597.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes

and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on Exhibits A and B of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 15 and 17, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School*. 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 Exhibit C and D 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 the Statement of Fiduciary Assets and Liabilities on page 18.

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 19-34 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 schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 35-39 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 41 of this report. The Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds can be found on page 42. Other supplemental information can be found on pages 43-45.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government’s financial position. In the case of the District, assets exceeded liabilities by \$5,335,019 as of June 30, 2008.

Of the District’s net assets (63%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases 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.

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Current assets	\$ 3,562,975	\$ 2,123,222	67.8%
Capital assets, net	6,001,861	6,097,078	-1.6%
Total assets	<u>9,564,836</u>	<u>8,220,300</u>	16.4%
Current liabilities	407,047	176,896	130.1%
Long-term debt outstanding	<u>3,822,770</u>	<u>2,828,173</u>	35.2%
Total liabilities	<u>4,229,817</u>	<u>3,005,069</u>	40.8%
Net assets:			
Invested in capital assets, net of related debt	3,340,012	3,302,078	1.1%
Restricted	3,431,030	2,419,920	41.8%
Unrestricted	<u>(1,436,023)</u>	<u>(506,767)</u>	183.4%
Total net assets	<u>\$ 5,335,019</u>	<u>\$ 5,215,231</u>	2.3%

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

- \$1,200,000 in loan proceeds to build a new band hall and field house. Approximately \$66,000 had been spent at year-end.
- The principal retirement of \$200,000 of long-term debt.
- \$100,900 of Distance Learning revenues was deferred and \$103,401 of excess ad valorem collections were escrowed.

Changes in net assets. The District’s total revenues for the fiscal year ended June 30, 2008, were \$9,534,748. The total cost of all programs and services was \$9,414,960. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008.

	2008	2007	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 189,666	\$ 168,795	12.4%
Operating grants and contributions	2,105,363	1,613,404	30.5%
Capital grants and contributions	11,873	276,358	-95.7%
General revenues:			
Property taxes	1,797,104	1,725,085	4.2%
Grants and other contributions not restricted	4,719,036	4,643,339	1.6%
Other	711,706	570,286	24.8%
Total revenues	9,534,748	8,997,267	6.0%
Expenses:			
Instruction	5,151,425	4,772,875	7.9%
Support services	3,364,945	2,974,828	13.1%
Non-instructional	560,571	672,965	-16.7%
Sixteenth section	149,060	161,950	-8.0%
Interest on long-term liabilities	188,959	203,690	-7.2%
Total expenses	9,414,960	8,786,308	7.2%
Increase in net assets	119,788	210,959	-43.2%
Net assets, July 1	5,215,231	5,004,664	4.2%
Prior period adjustment	-	(392)	-100.0%
Net assets, July 1, restated	5,215,231	5,004,272	4.2%
Net assets, June 30	\$ 5,335,019	\$ 5,215,231	2.3%

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

	Total Expenses		Net (Expense) Revenue	
	2008	2007	2008	2007
Instruction	\$ 5,151,425	\$ 4,772,875	\$ (3,824,759)	\$ (3,595,227)
Support services	3,364,945	2,974,828	(2,604,067)	(2,315,068)
Non-instructional	560,571	672,965	(362,965)	(454,130)
Sixteenth section	149,060	161,950	(127,308)	(159,636)
Interest on long-term liabilities	188,959	203,690	(188,959)	(203,690)
Total expenses	\$ 9,414,960	\$ 8,786,308	\$ (7,108,058)	\$ (6,727,751)

- Net cost of governmental activities \$7,108,058 was financed by general revenue, which is made up of primarily property taxes of \$1,797,104 and state revenue of \$4,647,053.
- Investment earnings accounted for \$57,185 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In

particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the

end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,210,560, an increase of \$1,205,992. \$(528,280) or (16)% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$3,738,840 or 116% 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 \$113,270, a result of normal operations.

The fund balance of the 16th Section Interest Fund decreased 68,639 due to transfers to the General Fund. The fund balance of the 16th Section Principal Fund increased \$168,907 due to normal operations. The fund balance of the Distance learning fund showed no change. The fund balance of the Construction Fund increased \$1,135,452 due to loan proceeds net of facilities acquisition and construction. The fund balance of Other Governmental Funds showed an increase of \$83,542, due to normal operations.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for expenditures were increased for unexpected costs incurred by the district in the areas of instruction and support services.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major Special Revenue funds is 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 \$8,198,974 including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$72,238 from the previous year. Total accumulated depreciation as of June 30, 2008, was \$2,197,113 and total depreciation expense for the year was \$181,903, resulting in total net assets of \$6,001,861.

	Capital assets, Net of Depreciation		
	2008	2007	Percentage Change
Land	\$ 46,921	\$ 46,921	0.0%
Construction in progress	66,849	-	
Buildings	5,391,037	5,508,864	-2.1%
Improvements other than buildings	90,830	96,450	-5.8%
Mobile equipment	336,077	375,003	-10.4%
Furniture and equipment	70,147	69,840	0.4%
Total	<u>\$ 6,001,861</u>	<u>\$ 6,097,078</u>	<u>-1.6%</u>

Additional information of the District's capital assets can be found in Note 5 on page 29 of this report.

Debt Administration. At June 30, 2008, the District had \$3,822,770 in general obligation bonds and other long-term debt outstanding, of which \$268,000 is due within one year.

	Outstanding Debt		Percentage Change
	2008	2007	
Limited obligation bonds payable	\$ 1,420,000	\$ 1,525,000	-6.9%
Limited tax note payable - 2007	1,175,000	1,270,000	-7.5%
Limited tax note payable - 2008	1,200,000	-	100.0%
Compensated absences payable	27,770	33,173	-16.3%
Total	\$ 3,822,770	\$ 2,828,173	35.2%

The District maintains an A+ bond rating.

Additional information of the District's long-term debt can be found in Note 6 beginning on page 30 of this report.

CURRENT ISSUES

The Carroll County School District is located in Carrollton, Mississippi. The School District is comprised of three schools, J.Z. George High School and Marshall Elementary School both of which are located in North Carrollton and Hathorn Elementary School located in Vaiden, Mississippi. The J.Z. George High School serves grades 7-12. The Marshall Elementary School serves grades K-6. The Hathorn Elementary School serves grades K-6.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Carroll County School District, P.O. Box 256, Carrollton, MS 38917 or by phone at (662) 237-9276.

CARROLL COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

CARROLL COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,494,958
Cash with fiscal agents	84,037
Due from other governments	277,000
Inventories	20,099
Other receivables	24,674
Restricted assets	662,207
Capital assets, not being depreciated:	
Land	46,921
Construction in progress	66,849
Capital assets, net of accumulated depreciation:	
Buildings	5,391,037
Improvements other than buildings	90,830
Mobile equipment	336,077
Furniture and equipment	70,147
	<hr/>
Total assets	9,564,836
LIABILITIES	
Accounts payable and accrued liabilities	105,222
Due to other governments	31,025
Performance bonds payable	23,000
Unearned revenue	193,168
Interest payable on long-term liabilities	54,632
Long-term liabilities (due within one year)	
Capital-related liabilities	268,000
Long-term liabilities (due beyond one year)	
Capital-related liabilities	3,527,000
Non-capital related liabilities	27,770
	<hr/>
Total liabilities	4,229,817
NET ASSETS	
Invested in capital assets, net of related debt	3,340,012
Restricted net assets:	
Expendable:	
School-based activities	1,005,774
Debt service	51,569
Forestry improvements	27,339
Unemployment benefits	13,954
Non-expendable:	
Sixteenth section principal	2,332,394
Unrestricted	(1,436,023)
	<hr/>
Total net assets	<u>\$ 5,335,019</u>

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

CARROLL COUNTY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 5,151,425	101,364	1,219,328	5,974	(3,824,759)
Support services	3,364,945	-	754,979	5,899	(2,604,067)
Non-instructional	560,571	66,550	131,056	-	(362,965)
Sixteenth section	149,060	21,752	-	-	(127,308)
Interest on long-term liabilities	188,959	-	-	-	(188,959)
Total governmental activities	\$ 9,414,960	189,666	2,105,363	11,873	(7,108,058)

General Revenues:

Taxes:

General purpose levies 1,648,735

Debt purpose levies 148,369

Unrestricted grants and contributions:

State 4,647,053

Federal 71,983

Unrestricted investment earnings 57,185

Sixteenth section sources 635,017

Other 19,504

Total General Revenues 7,227,846

Change in Net Assets 119,788

Net Assets - Beginning 5,215,231

Net Assets - Ending \$ 5,335,019

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

CARROLL COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Distance Learning Fund	Construction Fund		
ASSETS							
Cash and cash equivalents	\$ 255,931	652,547	611,455	173,090	1,133,151	280,239	3,106,413
Cash with fiscal agents	-	-	-	-	-	84,037	84,037
Due from other governments	108,060	-	36,900	-	-	168,940	313,900
Due from other funds	135,290	-	-	-	-	-	135,290
Other receivables	-	22,373	13,852	-	2,301	-	38,526
Advances to other funds	-	-	1,701,212	-	-	-	1,701,212
Inventories	-	-	-	-	-	20,099	20,099
Total Assets	\$ 499,281	674,920	2,363,419	173,090	1,135,452	553,315	5,399,477
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 105,222	\$ -	\$ -	\$ -	\$ -	\$ -	105,222
Performance bonds payable	-	23,000	-	-	-	-	23,000
Due to other funds	-	-	-	-	-	135,290	135,290
Due to other governments	-	-	31,025	-	-	-	31,025
Unearned revenue	-	-	-	173,090	-	20,078	193,168
Advances from other funds	1,701,212	-	-	-	-	-	1,701,212
Total Liabilities	1,806,434	23,000	31,025	173,090	-	155,368	2,188,917
Fund Balances:							
Reserved for:							
Advances	-	-	1,701,212	-	-	-	1,701,212
Inventory	-	-	-	-	-	20,099	20,099
Ad valorem taxes	103,401	-	-	-	-	-	103,401
Unemployment benefits	-	-	-	-	-	13,954	13,954
Forestry improvements	-	-	-	-	-	27,339	27,339
Debt service	-	-	-	-	-	106,201	106,201
Capital projects	-	-	-	-	1,135,452	-	1,135,452
Permanent Funds	-	-	631,182	-	-	-	631,182
Unreserved:							
Undesignated, reported in:							
General Fund	(1,410,554)	-	-	-	-	-	(1,410,554)
Special Revenue Funds	-	651,920	-	-	-	230,354	882,274
Total Fund Balances	(1,307,153)	651,920	2,332,394	-	1,135,452	397,947	3,210,560
Total Liabilities and Fund Balances	\$ 499,281	674,920	2,363,419	173,090	1,135,452	553,315	5,399,477

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

CARROLL COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,210,560
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,197,113	6,001,861
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,822,770)
3. Interest payable on long-term debt attributable to the current period is not reported in the funds until it's due.	<u>(54,632)</u>
Total Net Assets - Governmental Activities	<u>\$ 5,335,019</u>

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

CARROLL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Distance Learning Fund	Construction Fund		
Revenues:							
Local sources	\$ 1,774,473	-	-	-	2,301	221,328	1,998,102
State sources	4,590,999	-	-	-	-	375,158	4,966,157
Federal sources	71,983	-	-	11,873	-	1,786,260	1,870,116
Sixteenth section sources	-	308,586	362,827	-	-	28,960	700,373
Total Revenues	6,437,455	308,586	362,827	11,873	2,301	2,411,706	9,534,748
Expenditures:							
Instruction	3,844,994	-	-	5,974	-	1,192,256	5,043,224
Support services	2,884,212	-	-	5,899	-	433,593	3,323,704
Noninstructional services	-	-	-	-	-	555,535	555,535
Sixteenth section	-	4,590	113,979	-	-	30,491	149,060
Facilities acquisition and constructi	-	-	-	-	66,849	-	66,849
Debt service:							
Principal	-	-	-	-	-	200,000	200,000
Interest	72,000	-	-	-	-	116,959	188,959
Total Expenditures	6,801,206	4,590	113,979	11,873	66,849	2,528,834	9,527,331
Excess (Deficiency) of Revenues Over Expenditures	(363,751)	303,996	248,848	-	(64,548)	(117,128)	7,417
Other Financing Sources (Uses):							
Operating transfers in	524,507	-	-	-	-	341,881	866,388
Operating transfers out	(274,026)	(372,635)	(79,941)	-	-	(139,786)	(866,388)
Proceeds of loans	-	-	-	-	1,200,000	-	1,200,000
Total Other Financing Sources (Use)	250,481	(372,635)	(79,941)	-	1,200,000	202,095	1,200,000
Net Change in Fund Balances	(113,270)	(68,639)	168,907	-	1,135,452	84,967	1,207,417
Fund Balances:							
July 1, 2007	(1,193,883)	720,559	2,163,487	-	-	314,405	2,004,568
Decrease in reserve for inventory	-	-	-	-	-	(1,425)	(1,425)
June 30, 2008	\$ (1,307,153)	\$ 651,920	\$ 2,332,394	\$ -	\$ 1,135,452	\$ 397,947	\$ 3,210,560

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

CARROLL COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,207,417
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$87,795 and the depreciation expense amounted to \$181,903.	(94,108)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.	200,000
4. Proceeds of loans are reported as other financing sources in the governmental funds.	(1,200,000)
5. Gains or losses on disposal of fixed assets are not reported in the governmental funds but are recognized on the statement of activities, net of proceeds.	(1,109)
6. Interest payable on long-term debt is not recognized as an expenditure in the governmental funds but is recognized on the statement of activities.	3,610
7. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	(1,425)
8. Expenses in the statement of activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>5,403</u>
Change in Net Assets of Governmental Activities	<u>\$ 119,788</u>

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

CARROLL COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 391,123</u>
Total Assets	<u><u>\$ 391,123</u></u>
Liabilities	
Accrued payroll liabilities	\$ 369,137
Due to student clubs	<u>21,986</u>
Total Liabilities	<u><u>\$ 391,123</u></u>

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

CARROLL COUNTY SCHOOL DISTRICT

Notes to the 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.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Carroll County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax

CARROLL COUNTY SCHOOL DISTRICT

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

and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Sixteenth Section Interest Fund- This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Interest Fund. Those revenues and expenditures include, but are not limited to, timber sales, interest on investments, leases, land improvements, purchase of investments and transfers to district maintenance.

Sixteenth Section Principal Fund- This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Principal Fund. Those revenues include but are not limited to, sales of non-renewable resources, easements, interest on investments, loans to the district, and transfers.

Distance Learning Fund – This fund is used to account for the federal revenues and expenditures of the distance learning and telemedicine grant.

Construction Fund – This fund accounts for the financial resources to be used for acquisition, construction, or improvement of schools in the district.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

CARROLL COUNTY SCHOOL DISTRICT

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

FIDUCIARY FUNDS

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

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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

CARROLL COUNTY SCHOOL DISTRICT

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

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity

1. Cash and Cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

CARROLL COUNTY SCHOOL DISTRICT

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

4. Inventories

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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.

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

CARROLL COUNTY SCHOOL DISTRICT

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

		<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 amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

8. Long-term Liabilities

In the government-wide, proprietary and component unit financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

CARROLL COUNTY SCHOOL DISTRICT

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

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

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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 ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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 improvement purposes - An account that represents a portion of the fund balance that is legally restricted 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.

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

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

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

(2) Cash and Cash Equivalents and Cash with Fiscal Agents

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.

CARROLL COUNTY SCHOOL DISTRICT

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds were \$3,106,413 and \$391,123, respectively. The bank balance was \$3,882,981.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions' trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$3,882,981 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$84,037.

(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	\$ 135,290	-
Other Governmental Funds	<u>-</u>	<u>135,290</u>
 Total Funds	 <u>\$ 135,290</u>	 <u>135,290</u>

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end. All interfund receivables and payable are expected to be paid within one year.

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Governmental funds:		
General fund	\$ -	1,701,212
16 th section principal fund	<u>1,701,212</u>	<u>-</u>
Total Funds	<u>\$ 1,701,212</u>	<u>1,701,212</u>

Note: The sixteenth section principal loan payable is not reflected on the statement of net assets because these funds were borrowed by the general fund for construction of the new gym from the sixteenth section principal fund (permanent fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D.

CARROLL COUNTY SCHOOL DISTRICT

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

Sixteenth section principal loans payable.

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

Year Ending June 30,	Principal	Interest	Total
2009	14,180	6,807	20,987
2010	14,180	6,239	20,419
2011	14,180	5,672	19,852
2012	14,180	5,105	19,285
2013	14,180	4,538	18,718
2014-2018	70,901	14,180	85,081
2019-2020	28,361	1,701	30,062
	<u>\$ 170,162</u>	<u>\$ 44,242</u>	<u>\$ 214,404</u>

Year Ending June 30,	Principal	Interest	Total
2009	76,350	54,972	131,322
2010	76,350	51,918	128,268
2011	76,350	48,864	125,214
2012	76,350	45,810	122,160
2013	76,350	42,756	119,106
2014-2018	381,750	167,970	549,720
2019-2023	381,750	91,620	473,370
2024-2026	229,050	18,324	247,374
	<u>\$ 1,374,300</u>	<u>\$ 522,234</u>	<u>\$ 1,896,534</u>

Year Ending June 30,	Principal	Interest	Total
2009	8,250	6,270	14,520
2010	8,250	5,940	14,190
2011	8,250	5,610	13,860
2012	8,250	5,280	13,530
2013	8,250	4,950	13,200
2014-2018	41,250	19,800	61,050
2019-2023	41,250	11,550	52,800
2024-2027	33,000	3,300	36,300
	<u>\$ 156,750</u>	<u>\$ 62,700</u>	<u>\$ 219,450</u>

Total	<u>\$ 1,701,212</u>	<u>\$ 629,176</u>	<u>\$ 2,330,388</u>
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CARROLL COUNTY SCHOOL DISTRICT

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

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 524,507	274,026
16 th Section interest fund	-	372,635
16 th section principal fund	-	79,941
Other Governmental Funds	<u>341,881</u>	<u>139,786</u>
Total Funds	<u>\$ 866,388</u>	<u>866,388</u>

The primary purpose of the interfund transfers out of the general fund was to finance basic operations of the district that are not directly funded . The primary reason for the transfer out of the 16th section interest fund to the district maintenance fund was for day to day operations as needed. The remaining interfund activity was a result of normal operating activities.

(4) Restricted Assets

The restricted assets represent the cash and cash equivalents, due to other governments, and other accounts receivable balances of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

CARROLL COUNTY SCHOOL DISTRICT

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

(5) Capital Assets.

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

	Balance 7/1/2007	Additions	Retirements	Balance 6/30/2008
<u>Non-depreciable capital assets:</u>				
Land	\$ 46,921	-	-	46,921
Construction in progress	-	66,849	-	66,849
Total non-depreciable capital assets	46,921	66,849	-	113,770
<u>Depreciable capital assets:</u>				
Buildings	6,427,092	-	-	6,427,092
Improvements other than buildings	175,639	-	-	175,639
Mobile equipment	1,234,474	6,500	-	1,240,974
Furniture and equipment	242,610	14,446	(15,557)	241,499
Total depreciable capital assets	8,079,815	20,946	(15,557)	8,085,204
<u>Less accumulated depreciation for:</u>				
Buildings	918,228	117,827	-	1,036,055
Improvements other than buildings	79,189	5,620	-	84,809
Mobile equipment	859,471	45,426	-	904,897
Furniture and equipment	172,770	13,030	(14,448)	171,352
Total accumulated depreciation	2,029,658	181,903	(14,448)	2,197,113
Total depreciable capital assets, net	6,050,157	(160,957)	(1,109)	5,888,091
Governmental activities capital assets,	<u>\$ 6,097,078</u>	<u>(94,108)</u>	<u>(1,109)</u>	<u>6,001,861</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 124,657
Support services	53,635
Non-instructional	3,611
Total depreciation expense	<u>\$ 181,903</u>

CARROLL COUNTY SCHOOL DISTRICT

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

(6) Long-term liabilities.

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due Within one year
A. Limited obligation bonds payable	\$ 1,525,000	-	(105,000)	1,420,000	110,000
B. Limited tax note payable - 2005	1,270,000	-	(95,000)	1,175,000	100,000
C. Limited tax note payable - 2008	-	1,200,000	-	1,200,000	58,000
D. Compensated absences	33,173	-	(5,403)	27,770	-
Total	\$ 2,828,173	1,200,000	(205,403)	3,822,770	268,000

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement	4.75%-5.75%	5/1/1998	2/1/2018	\$ 1,955,000	\$ 1,420,000
Total				\$ 1,955,000	\$ 1,420,000

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

Year Ending June 30	Principal	Interest	Total
2009	110,000	63,560	173,560
2010	115,000	58,610	173,610
2011	120,000	53,380	173,380
2012	125,000	47,805	172,805
2013	130,000	41,940	171,940
2014-2018	820,000	107,588	927,588
Total	\$ 1,420,000	372,883	1,792,883

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

CARROLL COUNTY SCHOOL DISTRICT

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

B. Limited tax note payable – 2005.

During the fiscal year June 30, 2005, the District signed a limited tax note in the amount of \$1,450,000 at 3.79% interest over 12 years, for the purpose of paying the costs of acquiring, improving, constructing, renovating, repairing, heating, cooling and equipping school buildings and related facilities, perform site work therefore, purchasing school buses and transportation equipment, refinancing outstanding debt of the District and paying the costs of such borrowing. Of the proceeds, the District used \$350,000 to pay off the remaining debt balances on the three mill note payable and the building purpose loan. The interest rates for the three mill note payable and building purpose loan would have averaged 4.9% and 4.55%, respectively, over their maturity. Total interest expense at the original rates would have been \$31,844 over their maturity and total interest expense at the new rate will be \$25,392 over the maturity, resulting in an economic gain of \$6,452 for the District.

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>
Limited tax note payable - 2005	3.79%	4/15/2005	4/15/2018	<u>\$ 1,450,000</u>	<u>\$ 1,175,000</u>
Total				<u>\$ 1,450,000</u>	<u>\$ 1,157,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	100,000	44,532	144,532
2010	110,000	40,743	150,743
2011	115,000	36,574	151,574
2012	120,000	32,215	152,215
2013	120,000	27,667	147,667
2014-2018	<u>610,000</u>	<u>65,758</u>	<u>675,758</u>
Total	<u>\$ 1,175,000</u>	<u>\$ 247,489</u>	<u>\$ 1,422,489</u>

This debt will be retired from the debt service fund.

C. Limited tax note payable – 2008.

During the fiscal year June 30, 2008, the District signed a limited tax note in the amount of \$1,200,000 at 3.69% interest over 13 years, for the purpose of paying the costs of constructing a new band hall and field house.

CARROLL COUNTY SCHOOL DISTRICT

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

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>
Limited tax note payable	3.69%	4/1/2008	4/1/2021	\$ 1,200,000	\$ 1,200,000
Total				\$ 1,200,000	\$ 1,200,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	58,000	39,852	97,852
2010	55,000	42,140	97,140
2011	57,000	40,110	97,110
2012	58,000	38,007	96,007
2013	65,000	35,867	100,867
2014-2018	315,000	146,456	461,456
2019-2021	592,000	43,985	635,985
Total	\$ 1,200,000	\$ 386,417	\$ 1,586,417

D. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 11.85% 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 \$616,073, \$532,313, and \$531,286, respectively, which equaled the required contributions for each year.

CARROLL COUNTY SCHOOL DISTRICT

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

(8) 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	\$ 123,052
2010	117,527
2011	116,655
2012	92,690
2013	46,959
Thereafter	1,017,540
Total	<u>\$ 1,514,423</u>

(9) Contingencies.

Federal Grants. – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The School District is a member of the Mississippi Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust covers risks of loss arising from injuries to the School District's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$1,000,000. For a claim exceeding \$1,000,000, MPEWCT has insurance which will pay the excess up 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 pool members would be required to pay for the deficiencies. The District has not had an additional assessment for excess losses incurred by the pool.

CARROLL COUNTY SCHOOL DISTRICT

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

(11) Other Commitments

The school district receives royalties on a gravel lease that is shared with another school district. At June 30, 2008, Carroll County School District owes \$31,025 in shared revenue payments.

CARROLL COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY SCHOOL DISTRICT
 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	\$ 1,937,133	1,960,134	1,774,473	23,001	(185,661)
State sources	4,467,076	4,602,657	4,590,999	135,581	(11,658)
Federal sources	55,000	60,585	71,983	5,585	11,398
Total Revenues	<u>6,459,209</u>	<u>6,623,376</u>	<u>6,437,455</u>	<u>164,167</u>	<u>(185,921)</u>
Expenditures:					
Instruction	3,859,024	3,844,994	3,844,994	14,030	-
Support services	2,902,287	2,884,212	2,884,212	18,075	-
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	1,000	-	-	1,000	-
Debt service:					
Principal	98,780	-	-	98,780	-
Interest	104,719	72,000	72,000	32,719	-
Total Expenditures	<u>6,965,810</u>	<u>6,801,206</u>	<u>6,801,206</u>	<u>164,604</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>(506,601)</u>	<u>(177,830)</u>	<u>(363,751)</u>	<u>328,771</u>	<u>(185,921)</u>
Other Financing Sources (Uses):					
Operating transfers in	309,759	1,218,553	524,507	908,794	(694,046)
Operating transfers out	(179,000)	(814,011)	(274,026)	(635,011)	539,985
Total Other Financing Sources (Uses)	<u>130,759</u>	<u>404,542</u>	<u>250,481</u>	<u>273,783</u>	<u>(154,061)</u>
Net Change in Fund Balances	(375,842)	226,712	(113,270)	602,554	(339,982)
Fund Balances:					
July 1, 2007	<u>(1,193,883)</u>	<u>(1,193,883)</u>	<u>(1,193,883)</u>	<u>-</u>	<u>-</u>
June 30, 2008	<u>\$ (1,569,725)</u>	<u>(967,171)</u>	<u>(1,307,153)</u>	<u>602,554</u>	<u>(339,982)</u>

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

CARROLL COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest 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:					
Sixteenth section sources	\$ 148,405	310,256	308,586	161,851	(1,670)
Total Revenues	148,405	310,256	308,586	161,851	(1,670)
Expenditures:					
Sixteenth section	10,250	4,590	4,590	5,660	-
Total Expenditures	10,250	4,590	4,590	5,660	-
Excess (Deficiency) of Revenues Over Expenditures	138,155	305,666	303,996	167,511	(1,670)
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(238,259)	(372,634)	(372,635)	(134,375)	(1)
Total Other Financing Sources (Uses)	(238,259)	(372,634)	(372,635)	(134,375)	(1)
Net Change in Fund Balances	(100,104)	(66,968)	(68,639)	33,136	(1,671)
Fund Balances:					
July 1, 2007	720,559	720,559	720,559	-	-
June 30, 2008	\$ 620,455	653,591	651,920	33,136	(1,671)

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

CARROLL COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Distance Learning 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	\$ 23,000	112,863	11,873	89,863	(100,990)
Total Revenues	<u>23,000</u>	<u>112,863</u>	<u>11,873</u>	<u>89,863</u>	<u>(100,990)</u>
Expenditures:					
Instruction	56,000	5,974	5,974	50,026	-
Support services		5,899	5,899	(5,899)	-
Total Expenditures	<u>56,000</u>	<u>11,873</u>	<u>11,873</u>	<u>44,127</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(33,000)</u>	<u>100,990</u>	<u>-</u>	<u>133,990</u>	<u>(100,990)</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
Net Change in Fund Balances	(158,000)	100,990	-	258,990	(100,990)
Fund Balances:					
July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2008	<u>\$ (158,000)</u>	<u>100,990</u>	<u>-</u>	<u>258,990</u>	<u>(100,990)</u>

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

CARROLL 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.

CARROLL COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

CARROLL COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	144,265
National school lunch program	10.555	373,421
Total child nutrition cluster		<u>517,686</u>
Distance learning and telemedicine loans and grants	10.855	<u>11,873</u>
Total U.S. Department of Agriculture		<u>529,559</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	<u>71,983</u>
Total Federal Communications Commission		<u>71,983</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	461,283
Career and technical education - basic grants to states	84.048	18,227
Safe and drug-free schools and communities – state grants	84.186	8,977
Twenty first century learning grant	84.287	276,034
State grants for innovative programs	84.298	1,691
Education technology state grants	84.318	8,540
Rural education	84.358	40,861
Improving teacher quality state grants	84.367	130,848
Total		<u>946,461</u>
Special education cluster:		
Special education - preschool grants	84.173	7,281
Special education - grants to states	84.027	304,785
Total special education cluster		<u>312,066</u>
Total passed-through Mississippi Department of Education		<u>1,258,527</u>
Total U.S. Department of Education		<u>1,258,527</u>
Total for All Federal Awards		<u>\$ 1,860,069</u>

NOTES TO SCHEDULE

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

CARROLL COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,174,568	5,329,949	435,576	451,295	957,748
Other	2,352,763	558,147	114,094	66,819	1,613,703
Total	<u>\$ 9,527,331</u>	<u>5,888,096</u>	<u>549,670</u>	<u>518,114</u>	<u>2,571,451</u>
Total number of students *	<u>885</u>				
Cost per student	<u>\$ 10,765</u>	<u>6,653</u>	<u>621</u>	<u>585</u>	<u>2,906</u>

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

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

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

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

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

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

CARROLL COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

CARROLL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 1,774,473	1,747,016	1,717,644	1,649,497
State sources	4,590,999	4,464,447	4,151,738	4,163,380
Federal sources	71,983	31,027	58,164	62,128
Total Revenues	<u>6,437,455</u>	<u>6,242,490</u>	<u>5,927,546</u>	<u>5,875,005</u>
Expenditures:				
Instruction	3,844,994	3,540,857	3,699,258	3,353,621
Support services	2,884,212	2,677,364	2,745,013	2,644,615
Noninstructional services	-	-	-	9
Facilities acquisition and construction	-	6,775	48,096	23,200
Debt service:				
Principal	-	-	-	-
Interest	72,000	69,021	8,508	9,076
Total Expenditures	<u>6,801,206</u>	<u>6,294,017</u>	<u>6,500,875</u>	<u>6,030,521</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(363,751)</u>	<u>(51,527)</u>	<u>(573,329)</u>	<u>(155,516)</u>
Other Financing Sources (Uses):				
Operating transfers in	524,507	348,715	1,030,064	295,549
Operating transfers out	(274,026)	(408,264)	(1,703,954)	(353,305)
Total Other Financing Sources (Uses)	<u>250,481</u>	<u>(59,549)</u>	<u>(673,890)</u>	<u>(57,756)</u>
Net Change in Fund Balances	<u>(113,270)</u>	<u>(111,076)</u>	<u>(1,247,219)</u>	<u>(213,272)</u>
Fund Balances:				
July 1,	<u>(1,193,883)</u>	<u>(1,082,807)</u>	164,412	<u>377,684</u>
June 30,	<u>\$ (1,307,153)</u>	<u>(1,193,883)</u>	<u>(1,082,807)</u>	<u>164,412</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CARROLL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 1,998,102	1,958,894	1,920,972	1,728,911
State sources	4,966,157	4,809,580	4,606,618	4,513,157
Federal sources	1,870,116	1,710,802	1,550,933	1,694,584
Sixteenth section sources	700,373	517,991	942,605	787,385
Total Revenues	<u>9,534,748</u>	<u>8,997,267</u>	<u>9,021,128</u>	<u>8,724,037</u>
Expenditures:				
Instruction	5,043,224	4,656,818	4,662,291	4,431,553
Support services	3,323,704	3,021,090	3,226,158	3,140,178
Noninstructional services	555,535	672,820	492,084	511,882
Sixteenth section	149,060	161,950	154,413	79,828
Facilities acquisition and construction	66,849	663,057	2,121,596	209,130
Debt service:				
Principal	200,000	190,000	185,000	320,000
Interest	188,959	194,189	141,771	118,539
Total Expenditures	<u>9,527,331</u>	<u>9,559,924</u>	<u>10,983,313</u>	<u>8,811,110</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7,417</u>	<u>(562,657)</u>	<u>(1,962,185)</u>	<u>(87,073)</u>
Other Financing Sources (Uses):				
Operating transfers in	866,388	891,055	2,889,925	725,901
Operating transfers out	(866,388)	(891,055)	(2,889,925)	(725,901)
Proceeds of loans	1,200,000	-	-	-
Proceeds of refunding bonds	-	-	-	1,450,000
Debt service - principal	-	-	-	(350,000)
Total Other Financing Sources (Uses)	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>1,100,000</u>
Net Change in Fund Balances	<u>1,207,417</u>	<u>(562,657)</u>	<u>(1,962,185)</u>	<u>1,012,927</u>
Fund Balances:				
July 1,	2,004,568	2,563,759	4,521,699	3,506,949
Prior period adjustments	-	-	-	2,093
July 1, as restated	<u>2,004,568</u>	<u>2,563,759</u>	<u>4,521,699</u>	<u>3,509,042</u>
Increase (Decrease) in reserve for inventory	<u>(1,425)</u>	<u>3,466</u>	<u>4,245</u>	<u>(270)</u>
June 30,	<u>\$ 3,210,560</u>	<u>2,004,568</u>	<u>2,563,759</u>	<u>4,521,699</u>

CARROLL COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

JOEL B. CUNNINGHAM
CERTIFIED PUBLIC ACCOUNTANT
202 CHURCH STREET
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675
(662) 247-2416

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
Carroll County School District
Carroll County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2008, which collectively comprise the Carroll County School District's basic financial statements and have issued our report thereon dated April 17, 2009. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency 2008-1 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above in Finding 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the School District in a separate letter dated April 17, 2009, which is included in this report.

Carroll County School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Cost. We did not audit Carroll County School District's response and, accordingly, we express no opinion on it.

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.



Joel B. Cunningham, CPA
April 17, 2009

JOEL B. CUNNINGHAM
CERTIFIED PUBLIC ACCOUNTANT
202 CHURCH STREET
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675
(662) 247-2416

**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
Carroll County School District

Compliance

We have audited the compliance of the Carroll 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 auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Carroll 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

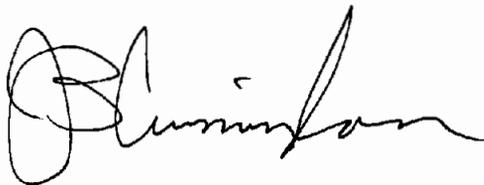
The management of the Carroll County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or 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 School District's internal control.

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

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

A handwritten signature in black ink, appearing to read 'Joel B. Cunningham', with a stylized flourish at the end.

Joel B. Cunningham, CPA

April 17, 2009

CARROLL COUNTY SCHOOL DISTRICT

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

JOEL B. CUNNINGHAM
CERTIFIED PUBLIC ACCOUNTANT
202 CHURCH STREET
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675
(662) 247-2416

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

Superintendent and School Board
Carroll County School District
Carroll County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2008, which collectively comprise Carroll County School District's basic financial statements and have issued our report thereon dated April 17, 2009. 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(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirement of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The District reported \$5,345 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 the 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

Section 37-61-21(2)(b), Miss. Code Ann. (1972) requires the District to prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require by October 15 each year.. The District failed to submit its financial statements by that date.

Recommendation

We recommend the District comply with this section by filing its financial information in a timely manner.

School District's Response

In the future we will file our financial statements and any other budgetary information required by the State Board of Education by October 15.

2. Finding

Section 29-3-113, Miss. Code Ann. (1972) states that sixteenth section interest funds shall not be transferred to governmental funds after the annual payment date of sixteenth section principal loans until the payment is made on such loan. The School Board approved a \$100,000 transfer of interest funds to the district maintenance fund after the due date of a loan and before payment on said loan was made.

Recommendation

We recommend the District comply with this section by ensuring sixteenth section principle loans are paid on the due date before any transfers are made.

School District's Response

In the future we will monitor due dates of principal loans and any transfers from interest funds.

3. Finding

Section 29-3-121, Miss. Code Ann. (1972) requires that each school district superintendent completes a list of children and the list is filed with the county superintendent by December 31 of each year. The District failed to file the list of children by December 31.

Recommendation

We recommend the District comply with this section by filing its list of children as required by December 31.

School District's Response

In the future we will file the list of children by December 31.

4. Finding

Section 71-5-359, Miss. Code Ann. (1972) requires that two percent of applicable wages be maintained in the unemployment compensation fund. Based on our testing, the District was approximately \$7,000 short in complying with this section.

Recommendation

We recommend the District comply with this section by transferring the proper balance to the fund and monitoring the balance as required.

School District's Response

We will transfer the required balance to the unemployment compensation fund and will monitor the balance going forward.

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

Carroll County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.



Joel B. Cunningham, CPA

April 17, 2009

CARROLL COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CARROLL COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. 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 finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Title I | |
| | CFDA # | 84.010 |
| | b. Child Nutrition Cluster | |
| | CFDA # | 10.553 |
| | CFDA # | 10.555 |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

CARROLL COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 2: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*:

Material Weakness

2008-1. Finding

The District does not have procedures in place to monitor its ad valorem tax collections or to determine the amount required by law to be escrowed, if any. During our testing we found the district had collected \$103,401 in excess ad valorem taxes, resulting in a material audit adjustment.

Recommendation

We recommend the District monitor ad valorem tax collections in relation to the limitations described above and to place any excess collections in escrow.

School District's Response

We will put procedures in place to ensure that excess collections, if any, are properly accounted for.

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.