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**Choctaw County School District**

Audited Financial Statements  
June 30, 2008

**Fortenberry & Ballard, PC**  
Certified Public Accountants

FINANCIAL AUDIT REPORT

**Choctaw County School District  
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**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Choctaw County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2008, on our consideration of the Choctaw 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 my 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 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 44 through 49 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.

**AICPA & MSCPA**

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 2, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Choctaw 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 \$427,516, which represents 4% increase from fiscal year 2007.
- General revenues account for \$12,639,537 in revenue, or 76% of all revenues. This amount was more than the general revenues reported for the year 2007, which consisted of \$11,759,905 in revenue. Last year general revenues accounted for 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,920,372 or 24% of total revenues compared with \$4,063,047 in 2007.
- The District had \$16,132,393 in expenses, an amount that increased when compared with the \$15,369,808 in expenses for the prior year; only \$3,920,372 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,639,537 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,374,801 in revenues and \$11,301,264 in expenditures. In 2007 the General Fund had \$10,825,226 in revenues and \$10,367,160 in expenditures. The General Fund's fund balance decreased \$367,510 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$155,275. The decrease was due mainly to the recording of depreciation expense for the fiscal year.
- Long-term debt decreased by \$321,016.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

The government-wide financial statements can be found on pages 16 and 17 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 20 and 24, respectively.

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

The basic governmental fund financial statements can be found on pages 18 and 22 of this report.

**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 27-43 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 44-49 of this report.

Additionally, a schedule of expenditures of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 51 and 52 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$12,020,373 as of June 30, 2008.

By far the largest portion of the District's net assets (48%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

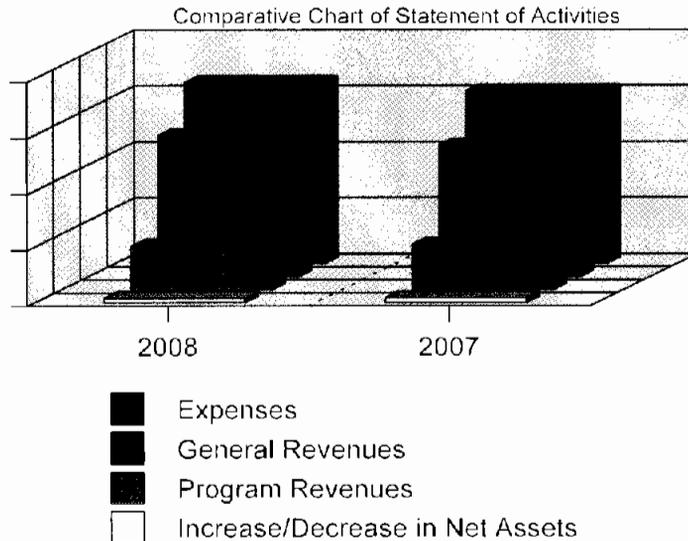
The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

	2008	2007	Percentage Change
<b>Assets</b>			
Current assets	\$ 6,667,556	6,325,365	5%
Capital assets, net	9,582,110	9,737,385	-2%
<b>Total assets</b>	<b>16,249,666</b>	<b>16,062,750</b>	<b>1%</b>
<b>Liabilities</b>			
Current liabilities	183,062	102,646	78%
Long-term liabilities	4,046,231	4,367,247	-7%
<b>Total liabilities</b>	<b>4,229,293</b>	<b>4,469,893</b>	<b>-5%</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	5,808,110	5,651,385	3%
Restricted	1,462,485	1,369,297	7%
Unrestricted	4,749,778	4,572,175	4%
<b>Total Net Assets</b>	<b>\$ 12,020,373</b>	<b>11,592,857</b>	<b>4%</b>

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$16,559,909. The total cost of all programs and services was \$16,132,393. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

	2008	2007	Percentage Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 620,943	635,731	-2%
Operating Grants and Contributions	3,245,330	3,373,220	-3.79%
Capital Grants and Contributions	54,099	54,096	0.01%
<b>Total Program Revenues</b>	<b>3,920,372</b>	<b>4,063,047</b>	<b>-4%</b>
<b>General Revenues</b>			
Property Taxes	3,840,685	3,287,610	17%
Unrestricted Grants and Contributions	7,811,560	7,791,351	0%
Unrestricted Investment Earnings	25,423	32,100	-21%
Sixteenth Section Sources	877,399	588,410	49%
Other	84,470	60,434	40%
<b>Total General Revenues</b>	<b>12,639,537</b>	<b>11,759,905</b>	<b>7%</b>
<b>Total revenues</b>	<b>16,559,909</b>	<b>15,822,952</b>	<b>5%</b>
<b>Expenses</b>			
Instruction	9,647,472	9,212,363	5%
Support services	5,260,665	5,002,698	5%
Non-instructional	1,007,777	882,356	14%
Sixteenth section	56,947	96,218	-41%
Interest on long-term liabilities	159,532	176,173	-9%
<b>Total expenses</b>	<b>16,132,393</b>	<b>15,369,808</b>	<b>5%</b>
Increase (Decrease) in net assets	427,516	453,144	-6%
Net Assets, July 1	11,592,857	11,139,713	4%
Net Assets, June 30	\$ 12,020,373	11,592,857	4%

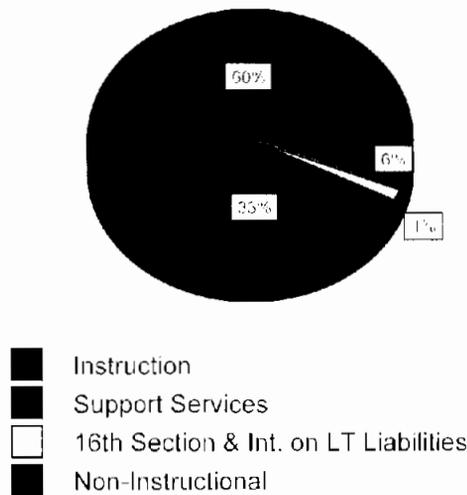


**Governmental activities.** The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated 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.

	2008	2007	2008	2007
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 9,647,472	9,212,363	(7,448,682)	(6,390,043)
Support Services	5,260,665	5,002,698	(4,014,125)	(4,885,468)
Non-Instructional	1,007,777	882,356	(597,741)	160,568
Sixteenth Section	56,947	96,218	8,059	(15,645)
Interest on Long-Term Liabilities	159,532	176,173	(159,532)	(176,173)
	\$ 16,132,393	15,369,808	(12,212,021)	(11,306,761)

- Net cost of governmental activities (\$12,212,021), was financed by general revenue, which is made up of primarily property taxes (\$3,840,685) and State revenue (\$7,693,015).
- Sixteenth section sources accounted for \$877,399 of funding.

Chart of Expenses as per Statement of Activities



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,533,744, an increase of \$258,314 due primarily to the increase in sixteenth section revenue and the decrease of expenditure in the sixteenth section interest fund. \$5,295,159 or 81% 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 \$1,238,585 or 19% 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 \$367,510, a result of decrease in MAEP allocation. The Title One Fund, and the Title II Eisenhower Class Size Fund remained the same. The fund balance of the Sixteenth Section Interest Fund showed an increase of \$540,133 due primarily to sale of timber, sharing. Other governmental funds showed an increased of \$85,691 due primarily to increase in allocation.

## BUDGETARY HIGHLIGHTS

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

used to determine original budget amounts.

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

Budget amounts for expenditures were amended to reflect actual revenues and expenditures.

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

During the fiscal year Choctaw County School District amended the General Fund final budget to reflect actual revenues and expenditures.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2008, the District's total capital assets were \$14,531,437, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$179,027 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$4,949,327 and total depreciation expense for the year was \$334,302, resulting in total net capital assets of \$9,582,110.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	\$ 100,072	100,072	0%
Buildings	8,630,073	8,836,648	-2%
Building Improvements	203,276	212,899	-5%
Improvements other than buildings	10,788	10,788	0%
Mobile equipment	602,075	560,628	7%
Furniture and equipment	35,826	16,350	119%
	\$ 9,582,110	9,737,385	-2%

Additional information of the District's capital assets can be found in Note 4 on page 38 of this report.

**Debt Administration.** At June 30, 2008, the District had \$0 in general obligation bonds outstanding and \$4,046,231 other long-term debt outstanding, of which \$320,000 is due within one year. The District maintains an AA bond rating.

	2008	2007	Percentage Change
Limited obligation bonds payable	\$ 2,370,000	2,540,000	-7%
Three mill note payable	\$ 1,404,000	1,546,000	-9%
Compensated absences	272,231	281,247	-3%
	\$ 4,046,231	4,367,247	-7%

Additional information of the District's long-term debt can be found in Note 5 on page 38 of this report.

### **CURRENT ISSUES**

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

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

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Choctaw County School District, P.O. Box 398, Ackerman, MS 39735.

FINANCIAL STATEMENTS

**CHOCTAW COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 5,406,079
<i>Investments</i>	247,891
<i>Due from other governments</i>	688,303
<i>Accrued interest receivable</i>	23,105
<i>Inventories</i>	29,374
<i>Restricted assets</i>	272,804
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	100,072
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	8,630,073
<i>Building improvements</i>	203,276
<i>Improvements other than buildings</i>	10,788
<i>Mobile equipment</i>	602,075
<i>Furniture and equipment</i>	35,826
<b>Total Assets</b>	<u>16,249,666</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	133,930
<i>Interest payable on long-term liabilities</i>	49,132
<i>Long-term liabilities (due within one year):</i>	
<i>Capital related liabilities</i>	320,000
<i>Long-term liabilities (due beyond one year)</i>	
<i>Capital related liabilities</i>	3,454,000
<i>Non-capital related liabilities</i>	272,231
<b>Total Liabilities</b>	<u>4,229,293</u>
<b>NET ASSETS</b>	
<i>Invested in Capital Assets, Net of Related Debt</i>	5,808,110
<b>Restricted Net Assets:</b>	
<b>Expendable:</b>	
<i>School - based activities</i>	245,235
<i>Debt Service</i>	395,027
<i>Forestry Improvements</i>	416,927
<i>Unemployment Benefits</i>	61,261
<i>Sixteenth section</i>	71,231
<b>Nonexpendable:</b>	
<i>Sixteenth section</i>	272,804
<i>Unrestricted</i>	4,749,778
<b>Total Net Assets</b>	<u>12,020,875</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<b>Primary government</b>					
<b>Governmental Activities:</b>					
<i>Instruction</i>	9,647,472	327,262	1,817,429	54,099	(7,448,682)
<i>Support services</i>	5,260,665	--	1,246,540	--	(4,014,125)
<i>Noninstructional services</i>	1,007,777	228,875	181,361	--	(597,741)
<i>Sixteenth section</i>	56,947	65,006	--	--	8,059
<i>Interest on long-term liabilities</i>	159,532	--	--	--	(159,532)
<b>Total Primary Government</b>	<b>\$ 16,132,393</b>	<b>\$ 620,943</b>	<b>\$ 3,245,330</b>	<b>\$ 54,099</b>	<b>(12,212,021)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
<i>General purpose levies</i>					3,678,527
<i>Debt purpose levies</i>					162,158
<b>Unrestricted grants and contributions:</b>					
<i>State</i>					7,693,015
<i>Federal</i>					118,545
<i>Unrestricted investment earnings</i>					25,423
<i>Sixteenth section sources</i>					877,399
<i>Other</i>					84,470
<b>Total general revenues</b>					<b>12,639,537</b>
<b>Change in Net Assets</b>					<b>427,516</b>
<b>Net Assets - Beginning</b>					<b>11,592,857</b>
<b>Net Assets - Ending</b>					<b>12,020,373</b>

The accompanying notes are an integral part of this statement.

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

	General Fund	Title One Fund
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 1,402,560	\$ 97
<i>Investments</i>	35,764	--
<i>Due from other governments</i>	114,469	245,004
<i>Accrued interest receivable</i>	2,010	--
<i>Other receivables, net</i>	--	--
<i>Due from other funds</i>	385,038	--
<i>Inventories</i>	--	--
<b>Total Assets</b>	<b>\$ 1,939,841</b>	<b>\$ 245,101</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>	\$ 122,354	\$ 97
<i>Due to other funds</i>	--	245,004
<b>Total Liabilities</b>	<b>122,354</b>	<b>245,101</b>
<b>Fund balances:</b>		
<b>Reserved for:</b>		
<i>Inventory</i>	--	--
<i>Forestry</i>	--	--
<i>Unemployment benefits</i>	--	--
<i>Debt service</i>	--	--
<i>Permanent fund purposes</i>	--	--
<b>Unreserved, undesignated, reported in:</b>		
<i>General fund</i>	1,817,487	--
<i>Special Revenue funds</i>	--	--
<b>Total Fund Balances</b>	<b>1,817,487</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,939,841</b>	<b>\$ 245,101</b>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Title II Eisenhower Class Size	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 3,235,059	\$ 768,363	\$ 5,406,079
--	--	484,931	520,695
53,824	5,800	269,206	688,303
--	--	21,095	23,105
--	118	--	118
--	--	--	385,038
--	--	29,374	29,374
<u>53,824</u>	<u>3,240,877</u>	<u>1,072,969</u>	<u>4,652,712</u>
\$ --	\$ 8,540	\$ 2,939	\$ 133,930
53,824	--	86,210	385,038
<u>53,824</u>	<u>8,540</u>	<u>89,149</u>	<u>518,968</u>
--	--	29,374	29,374
--	--	416,927	416,927
--	--	61,261	61,261
--	--	386,988	386,988
--	--	344,035	344,035
--	--	--	1,817,487
--	3,232,437	245,235	3,477,672
<u>--</u>	<u>3,232,437</u>	<u>1,483,820</u>	<u>6,533,744</u>
<u>53,824</u>	<u>3,240,877</u>	<u>1,572,969</u>	<u>5,052,712</u>

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

Total fund balances - governmental funds balance sheet	\$ 6,533,744
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	9,582,110
Liabilities due in one year are not recognized in the funds.	(320,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,195,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(49,132)
Payables for notes which are not due in the current period are not reported in the funds.	(1,259,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(272,231)
Sixteenth section receivable is recognized under the accrual method in the SNA.	<u>(118)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 12,020,373</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Title One Fund
<b>Revenue:</b>		
<i>Local sources</i>	\$ 4,015,846	\$ --
<i>Intermediate sources</i>	17,308	--
<i>State sources</i>	7,255,669	--
<i>Federal sources</i>	85,978	992,628
<i>Sixteenth section sources</i>	--	--
<b>Total revenues</b>	<u>11,374,801</u>	<u>992,628</u>
<b>Expenditures:</b>		
Instruction	7,044,997	699,329
Support services	4,218,195	287,945
Noninstructional services	10,316	5,451
Sixteenth section	--	--
Facilities acquisition and construction	27,756	--
Debt service:		
<i>Principal</i>	--	--
<i>Interest</i>	--	--
<b>Total expenditures</b>	<u>11,301,264</u>	<u>992,725</u>
Excess (deficiency) of revenues (over) expenditures	73,537	(97)
<b>Other financing sources (uses):</b>		
Operating transfers in	--	97
Operating transfers out	(441,047)	--
Other financing uses	--	--
<b>Total other financing sources (uses)</b>	<u>(441,047)</u>	<u>97</u>
Net change in fund balance	(367,510)	--
<b>Fund Balances:</b>		
July 1, 2007	2,184,997	--
Increase (decrease) in reserve for inventory	--	--
<b>June 30, 2008</b>	<u>\$ 1,817,487</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Title II Eisenhower Class Size	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 427,003	\$ 4,442,849
--	--	30,936	48,244
--	--	987,645	8,243,314
200,901	--	1,603,590	2,883,097
--	857,679	83,293	940,972
<u>200,901</u>	<u>857,679</u>	<u>3,132,467</u>	<u>16,558,476</u>
189,441	--	1,494,274	9,428,041
11,460	--	821,911	5,339,511
--	--	952,569	968,336
--	--	56,947	56,947
--	--	--	27,756
--	--	312,000	312,000
--	--	166,958	166,958
<u>200,901</u>	<u>--</u>	<u>3,804,659</u>	<u>16,299,549</u>
--	857,679	(672,192)	258,927
--	107,368	758,496	865,961
--	(424,914)	--	(865,961)
--	--	(613)	(613)
<u>--</u>	<u>(317,546)</u>	<u>757,883</u>	<u>(613)</u>
--	540,133	85,691	258,314
--	2,692,304	1,404,140	6,281,441
--	--	(6,011)	(6,011)
<u>--</u>	<u>3,252,437</u>	<u>1,498,829</u>	<u>6,583,744</u>

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

Net change in fund balances - total governmental funds	\$ 258,314
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	179,027
The depreciation of capital assets used in governmental activities is not reported in the funds.	(334,302)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	1,433
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	170,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	142,000
(Increase) decrease in accrued interest from beginning of period to end of period	8,039
Compensated absences are reported as amount earned in SOA but as the amount paid in the funds.	9,016
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	<u>(6,011)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 427,516</u>

The accompanying notes are an integral part of this statement.

**CHOCTAW COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2008**

	Private-purpose Trust Funds	Agency Funds
	<u>          </u>	<u>          </u>
<b>ASSETS AND OTHER DEBITS</b>		
Assets:		
<i>Cash and cash equivalents</i>	\$ 10,934	\$ 826,664
<i>Investments</i>	25,925	-
<i>Accrued interest receivable</i>	1,446	-
Total Assets	<u>\$ 38,305</u>	<u>\$ 826,664</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>		
Liabilities:		
<i>Accounts Payable and accrued liabilities</i>		\$ 623,643
<i>Salary benefits payable</i>		116,367
<i>Due to student clubs</i>		86,654
Total Liabilities		<u>\$ 826,664</u>
Fund Equity and Other Credits		
Fund Balances:		
Unreserved, undesignated		
Total Equity and Other Credits	38,305	
Total Liabilities & Fund Balance	<u>\$ 38,305</u>	

The accompanying notes are an integral part of this statement.

**CHOCTAW COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 1,516
Other Income	4,829
Total Additions	<u>6,345</u>
<b>Deductions:</b>	
Scholarship Awards	2,256
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>2,256</u>
<b>Change in Net Assets</b>	4,089
Net Assets-Beginning of the Year	34,216
Net Assets-End of the Year	<u>\$ 38,305</u>

The accompanying notes are an integral part of this statement.

**Choctaw County School District**

Notes to the Financial Statements  
June 30, 2008

## Choctaw 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.

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

#### B. Basis of Presentation.

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

##### *Government-wide Financial Statements:*

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

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

## Choctaw County School District

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

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

### *Fund Financial Statements:*

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

#### C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Title One Fund - This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to

## Choctaw County School District

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

eligible students under a school-wide structured project.

Title II Eisenhower Class Size Fund - This fund accounts for the Improving Teacher Quality funds related to this program.

Sixteenth Section Interest Fund - The Sixteenth Section Interest Funds are funds used to account for maintaining and improving sixteenth section lands.

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

Capital 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

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

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the classi-

## Choctaw County School District

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

fications 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. Cash and Cash Equivalents.

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

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

#### G. Investments.

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

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

#### H. Inventories and Prepaid Items.

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

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

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

**Choctaw County School District**

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

I. Capital Assets.

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

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

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

	<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 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

## Choctaw County School District

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

### K. Interfund Transactions and Balances.

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

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

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

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

### L. Equity Classifications.

#### ***Government-wide Financial Statements:***

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

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

#### ***Fund Financial Statements:***

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

Fund reserves are portions of fund equity that are legally segregated for a specific

## Choctaw County School District

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

future use or are not available for current operations. Following is a description of fund reserves used by the district:

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

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

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

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

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.

#### M. Property Taxes.

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

#### N. Mississippi Adequate Education Program Revenues.

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

#### O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as

## Choctaw County School District

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

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.

### (2) Cash and Cash Equivalents and Investments.

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

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

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

## Choctaw 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 reported in the governmental funds and fiduciary funds was \$5,406,079 and \$837,598, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$5,406,079 and restricted assets \$272,804. The restricted assets of \$272,804 represent part of the investment balance 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. The bank balance was \$7,031,172.

*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 \$7,031,172 was exposed to custodial credit risk.

### Investments.

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

Investment Type	Maturities (in years)	Fair Value	Rating
Treasury Securities Money Market Funds	N/A	\$ 546,620	A
Total Investments		<u>\$ 546,620</u>	

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments, \$546,620 of underlying securities are held by the investment's

**Choctaw County School District**

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

counterparty, not in the name of the district. As of June 30, 2008, the district did not have any investments to which this would apply.

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

Issuer	Fair Value	% of Total Investments
Hancock Horizon Treasury Sec. Money Market Cl A	\$ 546,620	100%
	<u>\$ 546,620</u>	

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Governmental funds:		
General fund	\$ 385,038	0
Title One Fund	0	245,004
Title II Eisenhower Class Size Fund	0	53,824
Other Governmental funds	<u>0</u>	<u>86,210</u>
Total Funds	<u>\$ 385,038</u>	<u>385,038</u>

The purpose of the Due From/To Other funds balances was to provide operating funds. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out.

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 0	441,047
Title One Fund	97	0
Sixteenth Section Interest Fund	107,368	424,914
Other Governmental Funds	758,496	
Total Funds	<u>\$ 865,961</u>	<u>865,961</u>

**Choctaw County School District**

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

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
<u>Non-depreciable capital assets:</u>						
Land	\$ 100,072					100,072
Construction in progress	0					0
Total non-depreciable capital assets	100,072	0	0	0	0	100,072
<u>Depreciable capital assets:</u>						
Buildings	11,925,900					11,925,900
Building Improvements	240,583					240,583
Improvements other than buildings	53,940					53,940
Mobile equipment	1,880,092	145,706				2,025,798
Furniture and equipment	151,823	33,321				185,144
Total depreciable capital assets	14,252,338	179,027	0	0	0	14,431,365
<u>Less accumulated depreciation for:</u>						
Buildings	3,089,252	206,575				3,295,827
Building Improvements	27,684	9,623				37,307
Improvements other than buildings	43,152					43,152
Mobile equipment	1,319,464	104,259				1,423,723
Furniture and equipment	135,473	13,845				149,318
Total accumulated depreciation	4,615,025	334,302	0		0	4,949,327
Total depreciable capital assets, net	9,637,313	(155,275)	0	0	0	9,482,038
Governmental activities capital assets, net	9,737,385	(155,275)	0	0	0	9,582,110

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$234,012
Support services	66,860
Non-Instructional	<u>33,430</u>
<b>Total depreciation expense</b>	<b>\$334,302</b>

(5) Long-term liabilities.

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

**Choctaw County School District**

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

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2008	Amounts due within one year
A. Limited Obligation Bonds	\$ 2,540,000		170,000		2,370,000	175,000
B. Three Mill Note Payable	1,546,000		142,000		1,404,000	145,000
C. Compensated absences payable	281,247		9,016		272,231	
Total	\$ 4,367,247	0	321,016	0	4,046,231	320,000

A. Limited obligation bonds.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited obligation bonds	4.3-6.1%	03-01-99	02-01-18	\$ 3,400,000	2,370,000

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 175,000	103,785	278,785
2010	180,000	95,975	275,975
2011	190,000	87,740	277,740
2012	200,000	78,865	278,865
2013	210,000	69,435	279,435
2014-2018	1,415,000	191,483	1,606,483
Total	\$ 2,370,000	627,283	2,997,283

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-107 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Retirement Fund.

B. Three Mill Notes Payable.

**Choctaw County School District**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill notes payable	2.9-4.125%	05-01-99	05-01-19	\$ 2,000,000	1,404,000

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	\$ 145,000	51,408	196,408
2010	120,000	46,768	166,768
2011	120,000	42,868	162,868
2012	125,000	38,788	163,788
2013	130,000	34,288	164,288
2014-2018	629,000	101,508	730,508
2019	135,000	5,569	140,569
<b>Total</b>	<b>\$ 1,404,000</b>	<b>321,197</b>	<b>1,725,197</b>

This debt will be repaid out of the Three mill note 14 and one half year fund.

C. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate.

## Choctaw County School District

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

The rate for fiscal year ended June 30, 2008 was 11.85% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$1,058,173, \$967,643, and \$864,205, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2009	\$ 26,780
2010	13,665
2011	10,802
2012	9,912
2013	9,115
2014-2018	37,210
2019-2023	30,166
2024-2028	21,635
Total	<u>\$ 159,285</u>

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is

## Choctaw County School District

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

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

(9) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with Choctaw County School District nor the Choctaw County School District itself filed lists of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships Choctaw County School District shares with other school districts, Choctaw County School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Choctaw County School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Choctaw County School District may be entitled to a portion of the sixteenth section revenues the other school district(s) received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

(10) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated September 2, 1993, creating the Quad County Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved

## **Choctaw County School District**

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

by the Mississippi Department of Education and includes the Starkville School District, the Louisville School District, the Noxubee County School District, the Oktibbeha County School District and the Webster County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Starkville School District has been designated as the lead school district for the Quad County Alternative School, and the operations of the consortium are included in its financial statements.

### **(11) Subsequent Events.**

On July 14, 2008 the Choctaw County School District refunded a 3 Mill Note and issued MAEP debt in the amount of \$660,000. The interest rate on the debt is 3.97%. This debt will be retired in August 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**CHOCTAW COUNTY SCHOOL DISTRICT**

Budgetary Comparison Schedule

Exhibit 1

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
<b>Revenues:</b>					
Local sources	\$ 4,024,850	3,997,204	4,015,846	(27,646)	18,642
Intermediate sources	17,308	17,308	17,308	-	-
State sources	7,746,121	7,255,670	7,255,669	(490,451)	(1)
Federal sources	67,882	85,979	85,978	18,097	(1)
<b>Total Revenues</b>	<b>11,856,161</b>	<b>11,356,161</b>	<b>11,374,801</b>	<b>(500,000)</b>	<b>18,640</b>
<b>Expenditures:</b>					
Instruction	6,960,699	7,034,036	7,044,997	(73,337)	(10,961)
Support services	4,380,504	4,218,194	4,218,195	162,310	(1)
Non-instructional	10,316	10,316	10,316	-	-
Facilities acquisition and construction	71,040	27,756	27,756	43,284	-
Debt Service:					
Principal				-	-
<b>Total Expenditures</b>	<b>11,422,559</b>	<b>11,290,302</b>	<b>11,301,264</b>	<b>132,257</b>	<b>(10,962)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>433,602</b>	<b>65,859</b>	<b>73,537</b>	<b>(367,743)</b>	<b>7,678</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	682,980	623,805		(59,175)	(623,805)
Operating transfers out	(957,560)	(1,064,852)	(441,047)	(107,292)	623,805
<b>Total Other Financing Sources (Uses)</b>	<b>(274,580)</b>	<b>(441,047)</b>	<b>(441,047)</b>	<b>(166,467)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>159,022</b>	<b>(375,188)</b>	<b>(367,510)</b>	<b>(534,210)</b>	<b>7,678</b>
<b>Fund Balances:</b>					
July 1, 2007	2,179,906	2,179,906	2,184,997	-	5,091
<b>June 30, 2008</b>	<b>\$ 2,338,928</b>	<b>1,804,718</b>	<b>1,817,487</b>	<b>(534,210)</b>	<b>12,769</b>

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

**CHOCTAW COUNTY SCHOOL DISTRICT**

Budgetary Comparison Schedule

Exhibit 2

Title One 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	\$ 1,145,251	992,628	992,628	(152,623)	-
Total Revenues	1,145,251	992,628	992,628	(152,623)	-
Expenditures:					
Instruction	776,157	699,329	699,329	76,828	-
Support services	353,736	287,944	287,945	65,792	(1)
Non-Instructional	10,576	5,451	5,451	5,125	-
Debt Service:					
Principal	-	-	-	-	-
Total Expenditures	1,140,469	992,724	992,725	147,745	(1)
Excess (Deficiency) of Revenues Over Expenditures	4,782	(96)	(97)	(4,878)	(1)
Other Financing Sources (Uses):					
Operating transfers in	245,004	96	97	(244,908)	1
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	245,004	96	97	(244,908)	1
Net Change in Fund Balances	249,786	-	-	(249,786)	-
Fund Balances:					
July 1, 2007	-	-	-	-	-
June 30, 2008	\$ 249,786	-	-	(249,786)	-

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

**CHOCTAW COUNTY SCHOOL DISTRICT**

Budgetary Comparison Schedule  
 Title II Eisenhower Class Size Fund  
 For the Year Ended June 30, 2008

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	<b>Revenues:</b>				
Federal sources	\$ 214,660	200,901	200,901	(13,759)	-
Total Revenues	214,660	200,901	200,901	(13,759)	-
<b>Expenditures:</b>					
Instruction	190,524	189,441	189,441	1,083	-
Support services	24,136	11,460	11,460	12,676	-
Facilities acquisition and construction				-	-
Debt Service:				-	-
Principal				-	-
Total Expenditures	214,660	200,901	200,901	13,759	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in				-	-
Operating transfers out				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2007	55,247	-			
June 30, 2008	\$ 55,247	-	-	-	-

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

**CHOCTAW COUNTY SCHOOL DISTRICT**

Budgetary Comparison Schedule

Exhibit 4

Sixteenth Section Interest Funds

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 502,210	859,230	857,679	357,020	(1,551)
<b>Total Revenues</b>	<b>502,210</b>	<b>859,230</b>	<b>857,679</b>	<b>357,020</b>	<b>(1,551)</b>
<b>Expenditures:</b>					
Instruction				-	-
Support services				-	-
Facilities acquisition and construction				-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over Expenditures	502,210	859,230	857,679	357,020	(1,551)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in		107,368	107,368	107,368	-
Operating transfers out	(500,000)	(424,914)	(424,914)	75,086	-
<b>Total Other Financing Sources (Uses)</b>	<b>(500,000)</b>	<b>(317,546)</b>	<b>(317,546)</b>	<b>182,454</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>2,210</b>	<b>541,684</b>	<b>540,133</b>	<b>539,474</b>	<b>(1,551)</b>
<b>Fund Balances:</b>					
July 1, 2007	2,733,483	2,692,304	2,692,304	(41,179)	-
June 30, 2008	\$ 2,735,693	3,233,988	3,232,437	498,295	(1,551)

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

## **Choctaw County School District**

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

### Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

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

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	206,638
National School Lunch Program	10.555	491,795
Total Child Nutrition cluster		698,433
Fresh Fruit and Vegetable Program	10.582	45,228
Total passed-through the MDE		743,661
TOTAL U. S. DEPARTMENT OF AGRICULTURE		743,661
FEDERAL COMMUNICATION COMMISSION Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	25,604
Total Federal Communication Commission		25,604
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	996,425
Career & Technical Education - Basic Grants to States	84.048	24,399
Safe and Drug-Free Schools and Communities - State Grants	84.186	13,114
Twenty-First Century Community Learning Centers	84.287	243,902
State Grants for Innovative Programs	84.298	3,338
Education Technology - state grants	84.318	63,959
Rural Education	84.358	29,864
Improving Teacher Quality State Grants	84.367	200,901
Special Education Cluster:		
Special Education - Grants to States	84.027	443,932
Special Education - Preschool Grants	84.173	8,275
Total Special Education Cluster		452,207
Total passed-through the MDE		452,207
TOTAL U. S. DEPARTMENT OF EDUCATION		2,028,109
TOTAL FOR ALL FEDERAL AWARDS		\$2,797,374

Notes to Schedule

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

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

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 12,071,792	9,307,862	424,329	957,259	1,382,342
Other	4,227,757	1,333,471	79,160	23,408	2,791,718
<b>Total</b>	<b>\$ 16,299,549</b>	<b>10,641,333</b>	<b>503,489</b>	<b>980,667</b>	<b>4,174,060</b>

Total number of students \* 1,832

Cost per student \$ 8,897 5,809 275 535 2,278

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

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

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

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

OTHER SUPPLEMENTAL INFORMATION

**CHOCTAW COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 4,015,846	3,472,693	3,490,894	3,282,469
Intermediate sources	17,308			
State sources	7,255,669	7,261,518	6,963,097	6,097,820
Federal sources	85,978	91,015	82,507	69,128
<b>Total Revenues</b>	<b>11,374,801</b>	<b>10,825,226</b>	<b>10,536,498</b>	<b>9,449,417</b>
<b>Expenditures:</b>				
Instruction	7,044,997	6,572,220	6,087,943	5,463,834
Support services	4,218,195	3,794,940	3,457,039	2,787,642
Noninstructional services	10,316			
Facilities acquisition and construction	27,756		728,353	768,249
Debt service:				
Principal				52,949
<b>Total Expenditures</b>	<b>11,301,264</b>	<b>10,367,160</b>	<b>10,273,335</b>	<b>9,072,674</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>73,537</b>	<b>458,066</b>	<b>263,163</b>	<b>376,743</b>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries			120,229	5,547
Operating transfers in		372,419	1,103,258	899,526
Operating transfers out	(441,047)	(890,674)	(769,294)	(601,340)
<b>Total Other Financing Sources (Uses)</b>	<b>(441,047)</b>	<b>(518,255)</b>	<b>454,193</b>	<b>303,733</b>
<b>Net Change in Fund Balances</b>	<b>(367,510)</b>	<b>(60,189)</b>	<b>717,356</b>	<b>680,476</b>
<b>Fund Balances:</b>				
July 1,	2,184,997	2,245,186	1,527,830	847,354
June 30,	\$ 1,817,487	2,184,997	2,245,186	1,527,830

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**CHOCTAW COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 4,442,849	3,898,707	3,893,281	3,665,365
Intermediate sources	48,244			
State sources	8,243,314	8,380,218	7,922,264	7,035,958
Federal sources	2,883,097	2,875,045	2,956,158	2,669,274
Sixteenth section sources	940,972	670,534	880,251	978,746
<b>Total Revenues</b>	<b>16,558,476</b>	<b>15,824,504</b>	<b>15,651,954</b>	<b>14,349,343</b>
<b>Expenditures:</b>				
Instruction	9,428,041	9,068,855	8,506,974	7,518,604
Support services	5,339,511	4,935,928	4,621,397	3,723,341
Noninstructional services	968,336	861,108	838,764	818,724
Sixteenth section	56,947	96,218	65,796	46,834
Facilities acquisition and construction	27,756		1,174,594	2,342,968
<b>Debt service:</b>				
Principal	312,000	298,272	304,833	385,883
Interest	166,958	184,376	188,997	204,676
<b>Total Expenditures</b>	<b>16,299,549</b>	<b>15,444,757</b>	<b>15,701,355</b>	<b>15,041,030</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>258,927</b>	<b>379,747</b>	<b>(49,401)</b>	<b>(691,687)</b>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries			120,229	5,547
Operating transfers in	865,961	1,042,923	1,789,646	1,358,951
Operating transfers out	(865,961)	(1,042,923)	(1,789,646)	(1,358,951)
Other financing uses	(613)	(629)	(643)	(657)
<b>Total Other Financing Sources (Uses)</b>	<b>(613)</b>	<b>(629)</b>	<b>119,586</b>	<b>4,890</b>
<b>Net Change in Fund Balances</b>	<b>258,314</b>	<b>379,118</b>	<b>70,185</b>	<b>(686,797)</b>
<b>Fund Balances:</b>				
July 1,	6,281,441	5,890,186	5,814,111	6,543,202
Prior period adjustments				(32,935)
July 1, as restated	6,281,441	5,890,186	5,814,111	6,510,267
Increase (Decrease) in reserve for inventory	(6,011)	12,137	5,890	(9,359)
June 30,	<b>\$ 6,533,744</b>	<b>6,281,441</b>	<b>5,890,186</b>	<b>5,814,111</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Choctaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2008, which collectively comprise the Choctaw County School District's basic financial statements and have issued my report thereon dated October 2, 2008. We conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matters that we have reported to management of the school district in a separate letter dated October 2, 2008, which is included in this report.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, P.C.  
October 2, 2008

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Choctaw County School District

Compliance

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

We conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that 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 my audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the Choctaw 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 Choctaw County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the school district's 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 programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 2, 2008

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
Choctaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2008, which collectively comprise Choctaw County School District's basic financial statements and have issued my report thereon dated October 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding #1 below. The district reported \$10,722 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 procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The result of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

Finding #1:

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

funded classroom teachers.

**Recommendation:**

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

**School District's Response:**

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
October 2, 2008

Certified Public Accountants

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

**Choctaw 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? No.
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.

Federal Awards:

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

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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

