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Senatobia Municipal School District
Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

Senatobia Municipal School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Senatobia Municipal School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Senatobia Municipal 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 December 9, 2008, on our consideration of the Senatobia Municipal School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Senatobia Municipal 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 them.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 9, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The discussion and analysis of Senatobia Municipal 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 $787,314, which represents an 8% increase from fiscal year 2007. This increase in net assets is primarily due to the following: 1) capital outlays during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 2) repayment of debt principal during the fiscal year was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets.

- General revenues account for $11,953,655 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $2,268,450, or 16% of total revenues.

- The district had $13,434,791 in expenses; only $2,268,450 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of $11,953,655 were adequate to provide for these programs.

- Among major funds, the General Fund had $11,410,697 in revenues and $10,330,213 in expenditures. The General Fund's fund balance increased $619,144 from the prior year. This increase is primarily a result of the increased amount of revenue from state sources received related to the Mississippi Adequate Education Program (MAEP).

- Capital assets, net of accumulated depreciation, increased by $1,547,926 due primarily to the completed construction and improvement of various school facilities during the fiscal year.

- Long-term debt decreased by $481,604 due to principal payments made during the fiscal year on existing long-term debt and the reduction of the compensated absences liability.

OVERVIEW OF FINANCIAL STATEMENTS

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

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

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

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

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

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

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

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

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

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.

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

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.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures - governmental funds, and statements of revenues, expenditures and changes in fund balances, last four years, general fund and all governmental funds, are provided in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $10,701,852 as of June 30, 2008.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets. $4,240,045 of the district's net assets (40%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases), 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. $257,652 of the District's net assets (2%) reflects its restricted net assets. The restricted net assets are expendable for school based activities, debt service, capital improvements and unemployment benefits. $6,204,155 of the District's net assets (58%) reflects its unrestricted net assets.

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

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

		2008	2007	Percentage Change
Assets				
Current assets	$	6,815,821	9,358,792	-37%
Capital assets, net		14,075,145	12,527,219	11%
Total assets		20,890,966	21,886,011	-5%
Liabilities				
Current liabilities		269,241	1,569,996	-83%
Long-term liabilities		9,919,873	10,401,477	-5%
Total liabilities		10,189,114	11,971,473	15%
Net Assets:				
Invested in capital assets, net of related debt		4,240,045	2,217,119	91%
Restricted		257,652	2,775,085	-91%
Unrestricted		6,204,155	4,922,334	26%
Total Net Assets		10,701,852	9,914,538	8%

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

- Current assets decreased from the previous fiscal year due primarily to a decrease in cash and cash equivalents resulting mainly from expenses incurred related to the construction and improvement of school facilities.

- Capital assets increased from the previous fiscal year due primarily to the completion of construction and improvements to school facilities.

- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities. In the previous fiscal year, significant payables related to construction contracts were reported in the financial statements.

- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.

- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the increase in capital assets and the reduction of long-term debt related to the capital assets.

- Restricted net assets decreased from the previous fiscal year due primarily to a decrease amounts restricted for capital improvements resulting from expenses incurred during the fiscal year for the construction and improvement of school facilities.

- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in the fund balance of the General Fund.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were $14,222,105. The total cost of all programs and services was $13,434,791. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008, and comparative data for the fiscal year ended June 30, 2007.

	2008	2007	Percentage Change
Revenues			
Program Revenues			
Charges for services	$ 513,326	500,417	3%
Operating grants and contributions	1,755,124	1,945,520	-11%
Total Program Revenues	2,268,450	2,445,937	-8%
General Revenues			
Property taxes	2,854,692	2,908,128	-2%
Unrestricted grants and contributions	8,684,091	8,240,908	5%
Unrestricted investment earnings	280,673	630,121	55%
Other	134,199	141,805	5%
Total general revenues	11,953,655	11,920,962	0%
Total Revenues	14,222,105	14,366,899	-1%
Expenses:			
Instruction	7,845,132	7,211,223	9%
Support services	4,253,129	3,880,661	10%

Non-instructional	880,359	624,669	-41%
Interest on long-term liabilities	456,171	476,536	-4%
Total Expenses	13,434,791	12,193,089	10%
Increase (decrease) in net assets	787,314	2,173,810	-64%
Net Assets, July 1	9,914,538	7,746,574	28%
Prior Period Adjustment		(5,846)	100%
Net Assets, Restated	9,914,538	7,740,728	28%
Net Assets, June 30	10,701,852	9,914,538	8%

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

- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, specifically an increase in MAEP funds.
- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and employee benefits at the middle school level.
- Support services expenses increased from the previous fiscal year due primarily to an increase in salaries and employee benefits and an increase in property services related to the operation and maintenance of facilities.

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

	2008 Expenses	2007 Expenses	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
Instruction	$ 7,845,132	7,211,223	(6,676,748)	(6,048,969)
Support services	4,253,129	3,880,661	(3,693,467)	(3,176,972)
Non-instructional	880,359	624,669	(3,399,655)	(44,675)
Interest on long-term liabilities	456,171	476,536	(456,171)	(476,536)
Total Expenses	$ 13,434,791	12,193,089	(14,226,041)	(9,747,152)

- The net cost of governmental activities for fiscal year 2008 in the amount of $13,434,791 was financed by general revenue, which is made up of primarily property taxes of $2,854,692 and state revenue of $8,642,572.

- Investment earnings accounted for $280,673 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $6,598,295. The net change in fund balance for the fiscal year was a decrease of $1,246,376 due primarily to expenditures incurred during the fiscal year related to the construction and improvement of school facilities. $6,344,677 or 96% of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the district's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds will be used for the renovation and construction of school facilities. The remaining fund balance of $253,618, or 4%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, prepaid items, unemployment benefits, capital project purposes and debt service purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of $619,144. This increase is primarily a result of the increased amount of revenue from state sources received related to the Mississippi Adequate Education Program. The net change in fund balance for the Capital Project Fund for the fiscal year was an increase of $94,751 due to earnings on investments during the fiscal year. The net change in fund balance for the Building Project Fund for the fiscal year was a decrease of $1,887,311 due primarily to the completion of construction and improvements to school

facilities during the fiscal year. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of $72,960.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year. Mississippi Adequate Education Program funds originally budgeted exceeded the actual revenue received during the fiscal year.

- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Vacant positions were filled with less experienced employees and salaries and benefits originally budgeted were calculated on higher paid employees.

- Budgeted amounts for facilities acquisition and construction expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted included site acquisition and construction expenditures but purchases were not actually made.

- Budgeted amounts for transfers in and transfer out of the General Fund were increased during the fiscal year to reflect the transfer of Mississippi Adequate Education Program (MAEP) funds that were originally budgeted in individual funds.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund 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, before depreciation, were $17,927,999, including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases. This amount represents an increase of $1,978,821 from the previous year. During the fiscal year, the District completed the construction of the new Middle School Building and completed improvements to the High School Gym and Field House and the Elementary School. The district also purchased a new school bus and various items of food service and other equipment. Total depreciation expense for the year was $437,528. Total accumulated depreciation as of June 30, 2008 was $3,852,854, resulting in total net capital assets of $14,075,145.

		2008	2007	Percentage Change
Land	$	1,007,521	1,007,521	0%
Construction in progress		0	6,710,721	0%
Buildings		9,586,970	3,767,009	154%
Building improvements		2,438,265	106,361	0%
Improvements other than buildings		206,328	217,430	0%
Mobile equipment		332,008	312,724	0%
Furniture and equipment		170,687	61,985	0%
Leased property under capital leases		333,366	343,468	0%
Total	$	14,075,145	12,527,219	12%

Debt Administration. At June 30, 2008, the District had $0 in general obligation bonds outstanding and $4,127,746 other long-term debt outstanding, of which $403,264 is due within one year.

		2008	2007	Percentage Change
General obligation bonds	$	9,710,000	10,150,000	-4%
Obligations under capital leases		125,100	160,100	0%
Compensated absences		84,773	91,377	0%
Total	$	9,919,873	10,401,477	0%

CURRENT ISSUES

The Senatobia Municipal 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. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Senatobia Municipal School District, 104 McKie Street, Senatobia, MS 38668.

FINANCIAL STATEMENTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT — Exhibit A

Statement of Net Assets

June 30, 2008

		Governmental Activities
Assets		
Cash and cash equivalents	$	6,515,801
Due from other governments		270,162
Inventories		15,917
Restricted assets		13,941
Capital assets, non-depreciable:		
Land		1,007,521
Capital assets, net of accumulated depreciation:		
Buildings		9,586,970
Building improvements		2,438,265
Improvements other than buildings		206,328
Mobile equipment		332,008
Furniture and equipment		170,687
Leased property under capital leases		333,366
Total Assets		20,890,966
Liabilities		
Aecounts payable and accrued liabilities		217,526
Interest payable on long-term liabilities		51,715
Long-term liabilities, due within one year		
Capital related liabilities		530,000
Long-term liabilities, due beyond one year		
Capital related liabilities		9,305,100
Non-capital related liabilities		84,773
Total Liabilities		10,189,114
Net Assets		
Invested in capital assets, net of related debt		4,240,045
Restricted net assets:		
Expendable:		
School-based activiries		71,666
Debt service		151,733
Unemployment benefits		34,253
Unrestricted		6,204,155
Total Net Assets	$	10,701,852

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 7,845,132	366,774	801,610		(6,676,748)
Support services	4,253,129		559,662		(3,693,467)
Non-instructional	880,359	146,552	393,852		(339,955)
Interest on long-term liabilities	456,171				(456,171)
Total Governmental Activities	$ 13,434,791	513,326	1,755,124	0	(11,166,341)
General Revenues:					
Taxes:					
General purpose levies					2,022,296
Debt purpose levies					832,396
Unrestricted grants and contributions:					
State					8,642,572
Federal					41,519
Unrestricted investment earnings					280,673
Other					134,199
Total General Revenues					11,953,655
Change in Net Assets					787,314
Net Assets - Beginning					9,914,538
Net Assets - Ending					$ 10,701,852

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2008

	Major Funds					
	General Fund	EHA Part B Fund	Capital Project Fund	Building Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 3,710,601		2,543,384		275,757	6,529,742
Due from other governments	176,899	29,638			63,625	270,162
Due from other funds	66,358					66,358
Inventories					15,917	15,917
Total Assets	$ 3,953,858	29,638	2,543,384	0	355,299	6,882,179
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 208,314	620			8,592	217,526
Due to other funds		29,018			37,340	66,358
Total Liabilities	208,314	29,638	0	0	45,932	283,884
Fund Balances:						
Reserved for:						
Inventory					15,917	15,917
Debt service					203,448	203,448
Unemployment benefits					34,253	34,253
Unreserved:						
Undesignated, reported in:						
General Fund	3,745,544					3,745,544
Special Revenue Funds					55,749	55,749
Capital Project Funds			2,543,384			2,543,384
Total Fund Balances	3,745,544	0	2,543,384	0	309,367	6,598,295
Total Liabilities and Fund Balances	$ 3,953,858	29,638	2,543,384	0	355,299	6,882,179

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008

		Amount
Total Fund Balance - Governmental Funds	$	6,598,295
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $3,852,854.		14,075,145
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(9,919,873)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.		(51,715)
Total Net Assets - Governmental Activities	$	10,701,852

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

	Major Funds					
	General Fund	EHA Part B Fund	Capital Project Fund	Building Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	$ 2,624,503	1,700	94,751	21,530	1,039,082	3,781,566
State sources	8,744,675				147,274	8,891,949
Federal sources	41,519	448,375			1,057,372	1,547,266
Total Revenues	11,410,697	450,075	94,751	21,530	2,243,728	14,220,781
Expenditures:						
Instruction	6,432,350	169,113		77,912		6,679,375
Support services	3,622,882	280,962		338,624	815,785	5,058,253
Noninstructional services	57,384			124,436	393,920	575,740
Facilities acquisition and construction	170,643			1,367,869	680,304	2,218,816
Debt service:						
Principal	35,000				440,000	475,000
Interest	11,200				444,362	455,562
Other	754				4,015	4,769
Total Expenditures	10,330,213	450,075	0	1,908,841	2,778,386	15,467,515
Excess (Deficiency) of Revenues over Expenditures	1,080,484	0	94,751	(1,887,311)	(534,658)	(1,246,734)
Other Financing Sources (Uses):						
Sale of transportation equipment	1,324					1,324
Operating transfers in					462,664	462,664
Operating transfers out	(462,664)					(462,664)
Total Other Financing Sources (Uses)	(461,340)	0	0	0	462,664	1,324
Net Change in Fund Balances	619,144	0	94,751	(1,887,311)	(71,994)	(1,245,410)
Fund Balances:						
July 1, 2007	3,126,400		2,448,633	1,887,311	382,327	7,844,671
Increase (Decrease) in reserve for inventory					(966)	(966)
June 30, 2008	$ 3,745,544	0	2,543,384	0	309,367	6,598,295

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

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

Exhibit D-1

		Amount
Net Change in Fund Balances - Governmental Funds	$	(1,245,410)
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to $1,985,521 and the depreciation expense amounted to $437,528.		1,547,993
2. Proceeds of long term liabilities are reported in the governmental funds, but not in the Statement of Activities.		
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.		475,000
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.		4,160
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.		(67)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.		(966)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Compensated absences		6,604
Change in Net Assets of Governmental Activities	$	787,314

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Exhibit E

Statement of Fiduciary Assets and Liabilities

June 30, 2008

		Agency Funds
Assets		
Cash and cash equivalents	$	507,546
Total Asscts	$	507,546
Liabilities		
Accounts payable and accrued liabilities	$	496,205
Due to student clubs		11,341
Total Liabilities	$	507,546

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

Senatobia Municipal School District

Notes to the Financial Statements
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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Senatobia since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

EHA Part B Fund - This fund accounts for the resources related to the education of children with disabilities.

Capital Project Funds - This fund is used to account for the funds transferred from the General Fund and the expenditures associated with the renovation and construction of school facilities.

Building Project Fund - This fund is used to account for the funds transferred from the General Fund and the expenditures associated with the renovation and construction of school facilities.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

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

I. Capital Assets.

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following scale details those thresholds.

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

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-Wide Financial Statements:

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

1. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets- All other net assets that do not meet the definition of "restricted", or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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.

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

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.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral

pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was $6,529,742, and $507,546, respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash Equivalents $6,515,801 and restricted assets $13,941. The restricted assets represent the cash balance of the Mississippi Adequate Education Program (MAEP) Bond Retirement Fund which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was $7,586,329.

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Governmental Funds:	Due From	Due To
General Fund	$ 66,358	$ 0
EHA Part B Fund	0	29,018
Other governmental funds	0	37,340
Total Funds	$ 66,358	$ 66,358

The purpose of the Due From/To other funds balances was to remove negative cash balances from pooled bank accounts. 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	$ 462,664
Other Governmental Funds	462,664	0
Total Funds	$ 462,664	$462,664

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

	Balance 7-01-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
Non-depreciable capital assets:						
Land	$ 1,007,521					1,007,521
Construction in progress	6,710,721			(6,710,721)		0
Total non-depreciable capital assets	7,718,242	0	0	(6,710,721)	0	1,007,521
Depreciable capital assets:						
Buildings	6,116,267			6,049,051		12,165,318
Building improvements	132,951	1,772,937		661,670		2,567,558
Improvements other than buildings	277,532					277,532
Mobile equipment	962,287	67,888				1,030,175
Furniture and equipment	236,799	144,696	6,700			374,795
Leased property under capital leases	505,100					505,100
Total depreciable capital assets	8,230,936	1,985,521	6,700	6,710,721	0	16,920,478
Less accumulated depreciation for:						
Buildings	2,349,258	229,090				2,578,348
Building improvements	26,590	102,703				129,293
Improvements other than buildings	60,102	11,102				71,204
Mobile equipment	649,563	48,604				698,167
Furniture and equipment	174,814	35,927	6,633			204,108
Leased property under capital leases	161,632	10,102				171,734
Total accumulated depreciation	3,421,959	437,528	6,633	0	0	3,852,854

Total depreciable capital

	Balance 7-01-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
assets, net	4,808,977	1,547,993	67	6,710,721	0	13,067,624
Governmental activities capital assets, net	$ 12,527,219	1,547,993	67	0	0	14,075,145

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 354,595
Support Services	17,599
Non-instructional	65,334
Total depreciation expense	$ 437,528

(5) Long-term Liabilities.

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

		Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2007	Amounts due within one year
A.	General obligation bonds payable	$ 10,150,000		440,000		9,710,000	490,000
B.	Obligations under capital leases	160,100		35,000		125,100	40,000
C.	Compensated absences payable	91,377		6,604		84,773	
	Total	$ 10,401,477	0	481,604	0	9,919,873	530,000

A. General Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.3-5.7%	03-15-98	03-15-14	$ 3,500,000	1,775,000
General obligation bonds, Series 2006	4-5.625%	03-28-06	06-01-26	8,130,000	7,935,000
Total				$ 11,630,000	9,710,000

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

Year Ending June 30	Principal	Interest	Total
2009	$ 490,000	340,719	830,719
2010	525,000	328,063	853,063
2011	565,000	314,000	879,000
2012	635,000	298,531	933,531
2013	665,000	309,358	974,358
2014 - 2018	2,330,000	1,165,180	3,495,180
2019 - 2023	2,850,000	687,000	3,537,000
2024 - 2026	1,650,000	115,000	1,765,000
Total	$ 9,710,000	3,557,851	13,267,851

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008 the amount of outstanding bonded indebtedness was equal to 14% of property assessments as of October 31, 2007. This debt will be retired from the Bond Issue Retirement funds.

B. Obligations under Capital Leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of a football stadium, parking area, and related facilities. The various options available to the lessee for this lease are as follows:

At the end of the primary lease period or when the general obligation bonds, Series 1991, issued by te City of Senatobia for the construction of the football facility are paid in full, the lessee shall have the option to purchase the leased property for $100.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital Leases	varies	02/92	08/11	$ 505,000	125,100

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

Year Ending June 30		Principal	Interest	Total
2009	$	40,000	8,750	48,750
2010		40,000	5,950	45,950
2011		45,100	3,150	48,250
Total	$	125,100	17,850	142,950

This debt will be retired from the District Maintenance fund.

C. Compensated Absences.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were $835,533, $748,432, and $708,834, respectively, which equaled the required contributions for each year.

(7) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.
The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and 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 and claims are paid from an account with Bancorp South in Jackson, Mississippi. 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.

(8) Alternative School Center.

The school district entered into an Alternative School Agreement dated May 13,1999 creating the Senatobia-Tate County Regional Optional Learning Center. This center was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Senatobia Municipal School District, and the Tate 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 Senatobia Municipal School District has been designated as the lead school district for the Senatobia - Tate County Regional Optional Learning Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues an Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Senatobia - Tate County Regional Optional Learning Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2008

Revenues		
Local sources		
Tuition from other LEA's within the state:		
Senatobia Municipal School District	$	131,735
Total tuition from other LEA's within the state		131,735
Total Revenues		131,735
Expenditures		
Salaries		186,344
Employee benefits		22,615
Purchased property services		8,388
Supplies		2,015
Property		156
Other		40
Total Expenditures		219,558
Excess (Deficiency) of Revenues Over Expenditures		(87,823)
Other Financing Sources/Uses:		
Transfers in		122,091
Total Other Financing Sources/Uses		122,091
Net Change in Fund Balance		34,268
Fund Balance:		
July 1, 2007		0
June 30, 2008	$	34,268

(9) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dateD January 1, 1984 creating the Senatobia - Tate County Regional Vocational Education Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Senatobia Municipal School District and the Tate County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Tate County School District has been designated as the fiscal agent for the Senatobia - Tate County Regional Vocational Education Center, and the operations of the center are included in its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Senatobia Municipal School District Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 2,549,960	2,624,503	2,624,503	74,543	-
State sources	9,265,599	8,744,675	8,744,675	(520,924)	-
Federal sources	19,800	41,519	41,519	21,719	-
Total Revenues	11,835,359	11,410,697	11,410,697	(424,662)	-
Expenditures:					
Instruction	6,469,872	6,432,350	6,432,350	37,522	-
Support services	4,241,015	3,622,882	3,622,882	618,133	-
Noninstructional services	149,250	57,384	57,384	91,866	-
Facilities acquisition and construction	914,801	170,643	170,643	744,158	-
Debt service:				-	-
Principal	102,856	35,000	35,000	67,856	-
Interest	5,600	11,200	11,200	(5,600)	-
Other	2,001	754	754	1,247	-
Total Expenditures	11,885,395	10,330,213	10,330,213	1,555,182	-
Exeess (Deficiency) of Revenues over Expenditures	(50,036)	1,080,484	1,080,484	1,130,520	-
Other Financing Sources (Uses):					
Sale of Transportation Equipment	-	1,324	1,324	1,324	-
Operating transfers in	82,825	1,282,787	-	1,199,962	(1,282,787)
Operating transfers out	(160,545)	(1,745,451)	(462,664)	(1,584,906)	1,282,787
Total Other Financing Sources (Uses)	(77,720)	(461,340)	(461,340)	(383,620)	-
				-	-
Net Change in Fund Balances	(127,756)	619,144	619,144	746,900	-
Fund Balances:					
July 1, 2007	2,957,371	3,126,400	3,126,400	169,029	-
June 30, 2008	$ 2,829,615	3,745,544	3,745,544	915,929	-

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

Senatobia Municipal School District Exhibit 2

Budgetary Comparison Schedule

EHA Part B Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ -	1,700	1,700	1,700	-
Federal sources	456,910	448,375	448,375	(8,535)	-
Total Revenues	456,910	450,075	450,075	(6,835)	-
Expenditures:					
Instruction	215,225	169,113	169,113	46,112	-
Support services	229,348	280,962	280,962	(51,614)	-
Total Expenditures	444,573	450,075	450,075	(5,502)	-
Excess (Deficiency) of Revenues over Expenditures	12,337	-	-	(12,337)	-
Other Financing Sources (Uses):					
Operating transfers out	(12,337)	-	-	12,337	-
Total Other Financing Sources (Uses)	(12,337)	-	-	12,337	-
				-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2007	-	-	-	-	-
June 30, 2008	$ -	-	-	-	-

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

Senatobia Municipal 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 Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the original budget and the final budget.

(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

Senatobia Municipal School District **Schedule 1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2008

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	56,600
National School Lunch Program	10.555	392,715
Total child nutrition cluster		449,315
Total passed-through the MDE		449,315
TOTAL U. S. DEPARTMENT OF AGRICULTURE		449,315
FEDERAL COMMUNICATION COMMISSION		
Administered through the Univeral Service Administrative Company		
The Schools and Libraries Program of the Universal Service Fund	32.XXX	14,298
U.S. DEPARTMENT OF EDUCATION		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	423,374
Safe and Drug Free Schools and Communities - State Grants	84.186	8,839
State Grants for Innovative Program	84.298	2,813
Education Technology State Grants	84.318	6,629
Improving Teacher Quality - State Grants	84.367	95,630
Grants for State Assessments and Related Activities	84.369	10,494
Special Education Cluster:		
Special Education - Grants to States	84.027	454,891
Special Education - Preschool Grants	84.173	57,727
Total special education cluster		512,618
Total passed-through the MDE		1,060,397
TOTAL U. S. DEPARTMENT OF EDUCATION		1,060,397
TOTAL FOR ALL FEDERAL AWARDS		$1,524,010

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.

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

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	8,195,460	6,674,255	353,062	669,484	498,659
Other		7,272,055	511,079	122,053	51,174	6,587,749
Total	$	15,467,515	7,185,334	475,115	720,658	7,086,408
Total number of students *		1,767				
Cost per student	$	8,754	4,066	269	408	4,010

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

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

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

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

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

General Fund

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	$ 2,624,503	2,669,251	2,595,269	2,540,966
State sources	8,744,675	7,839,914	7,510,507	6,719,638
Federal sources	41,519	31,867	39,529	19,721
Total Revenues	11,410,697	10,541,032	10,145,305	9,280,325
Expenditures:				
Instruction	6,432,350	6,074,656	5,761,528	5,400,424
Support services	3,622,882	3,053,982	3,046,936	2,738,412
Noninstructional services	57,384	52,315	51,582	50,239
Facilities acquisition and construction	170,643		7,298	109,574
Debt service:				
Principal	35,000	30,000	30,000	69,000
Interest	11,200	6,635	15,310	17,335
Other	754	388	764	779
Total Expenditures	10,330,213	9,217,976	8,913,418	8,385,763
Excess (Deficiency) of Revenues over Expenditures	1,080,484	1,323,056	1,231,887	894,562
Other Financing Sources (Uses):				
Insurance loss recoveries		192		
Sale of transportation equipment	1,324			1,305
Operating transfers in		84,057	71,749	19,069
Operating transfers out	(462,664)	(1,567,545)	(52,800)	(1,555,809)
Total Other Financing Sources (Uses)	(461,340)	(1,483,296)	18,949	(1,535,435)
Net Change in Fund Balances	619,144	(160,240)	1,250,836	(640,873)
Fund Balances:				
July 1,	3,126,400	3,292,559	2,041,723	2,681,362
Prior period adjustments		(5,919)		1,234
July 1, as restated	3,126,400	3,286,640	2,041,723	2,682,596
June 30,	$ 3,745,544	3,126,400	3,292,559	2,041,723

*SOURCE - PRIOR YEAR AUDIT REPORTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	$ 3,781,566	4,180,125	3,280,403	3,097,932
State sources	8,891,949	8,455,563	8,106,900	7,155,829
Federal sources	1,547,266	1,730,865	1,664,780	1,459,219
Total Revenues	14,220,781	14,366,553	13,052,083	11,712,980
Expenditures:				
Instruction	6,679,375	7,081,610	6,768,432	6,230,204
Support services	5,058,253	3,889,884	3,783,799	3,359,124
Noninstructional services	575,740	631,619	606,034	570,682
Facilities acquisition and construction	2,218,816	7,256,399	151,218	109,574
Debt service:				
Principal	475,000	495,000	465,000	424,000
Interest	455,562	476,872	147,897	168,547
Other	4,769	5,239	3,133	3,174
Total Expenditures	15,467,515	19,836,623	11,925,513	10,865,305
Excess (Deficiency) of Revenues over Expenditures	(1,246,734)	(5,470,070)	1,126,570	847,675
Other Financing Sources (Uses):				
Proceeds of general obligation bonds			8,300,000	
Insurance loss recoveries		192		
Sale of transportation equipment	1,324			1,305
Operating transfers in	462,664	1,590,557	71,749	1,574,878
Other financing sources		154		
Operating transfers out	(462,664)	(1,590,557)	(71,749)	(1,574,878)
Total Other Financing Sources (Uses)	1,324	346	8,300,000	1,305
Net Change in Fund Balances	(1,245,410)	(5,469,724)	9,426,570	848,980
Fund Balances:				
July 1,	7,844,671	13,313,791	3,892,293	3,041,336
Prior period adjustments		(5,919)		1,234
July 1, as restated	7,844,671	13,307,872	3,892,293	3,042,570
Increase (Decrease) in reserve for inventory	(966)	6,523	(5,072)	743
June 30,	$ 6,598,295	7,844,671	13,313,791	3,892,293

*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
Senatobia Municipal School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2008, which collectively comprise the Senatobia Municipal School District's basic financial statements and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 9, 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
Senatobia Municipal School District

Compliance

We have audited the compliance of the Senatobia Municipal 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, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the 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
December 9, 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
Senatobia Municipal School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2008, which collectively comprise the Senatobia Municipal School District's basic financial statements and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33 (3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $20,265 of classroom supply funds carried over from previous years.

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is

not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 9, 2008

Certified Public Accountants

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW UP

Senatobia Municipal 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:
   1. Material weaknesses identified? No.
   2. Significant deficiencies 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 weaknesses identified? No.
   b. Significant deficiencies 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
   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: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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