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Tate County School District
Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

Tate County 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
Tate 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 Tate County School District as of and for the year ended June 30, 2008, which collectively comprise the Tate County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tate County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008 on our consideration of the Tate County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedules and corresponding notes on pages 43 through 44 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 Tate 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
December 12, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Tate 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 $133,129, which represents a 6% increase from fiscal year 2007.
- General revenues account for $19,129,630, or 82% of all revenues. This amount was more than the general revenues for the year 2007, which consisted of $17,340,129, or 81% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,158,015, or 18% of total revenues compared to $4,046,171 in 2007.
- The district had $23,154,516 in expenses, an amount that increased when compared with the $22,581,129 in expenses for the prior year; only $4,158,015 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of $19,129,630 were adequate to provide for these programs.
- Among major funds, the General Fund had $17,478,318 in revenues and $17,339,577 in expenditures. In 2007 the General Fund had $15,585,095 in revenues and $16,789,868 in expenditures. The General Fund's fund balance decreased by $448,700.
- Capital assets, net of accumulated depreciation, decreased by $430,228 due primarily to the disposal of mobile equipment.
- Long-term debt decreased by $1,377,804.

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. 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 19 and 21, 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 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary Funds are comprised of the Club Funds. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Assets and Liabilities on page 22.

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 23-41 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund. This required supplementary information can be found on pages 43-44 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133, a schedule of instructional, administrative and other expenditures for governmental funds and statements of revenues, expenditures and changes in fund balances - general fund and all governmental funds for the last four years can be found on pages 46, 47 and 49, 50 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 $2,552,256 as of June 30, 2008.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g.,

land, buildings, 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:

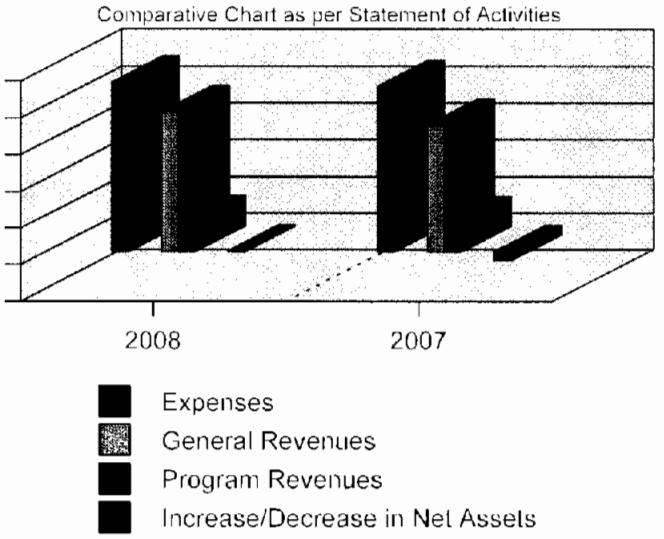
		2008	2007	Percentage Change
Assets				
Current assets	$	1,967,735	2,281,004	-14%
Capital assets, net		23,814,269	24,244,497	-2%
Total assets		25,782,004	26,525,501	-3%
Liabilities				
Current liabilities		1,533,520	1,032,342	49%
Long-term liabilities		21,696,228	23,074,032	-6%
Total liabilities		23,229,748	24,106,374	-4%
Net Assets				
Invested in capital assets, net of related debt		2,214,451	1,258,118	76%
Restricted		1,074,123	1,397,835	-23%
Unrestricted		(736,318)	(236,826)	-211%
Total Net Assets	$	2,552,256	2,419,127	6%

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

- The principal retirement of $1,386,561 of long-term debt.
- The addition of $74,460 in construction in progress.

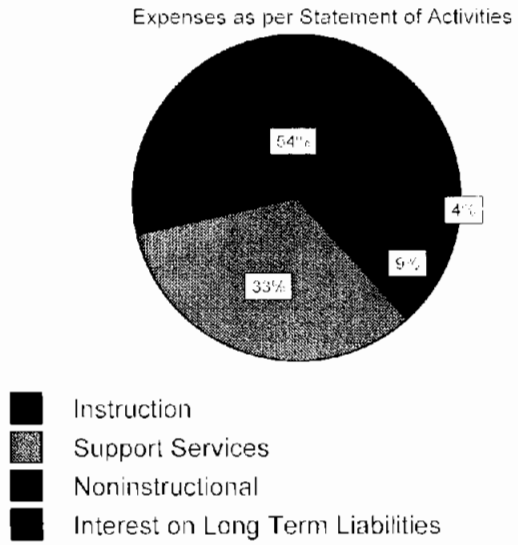
Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were $23,287,645. The total cost of all programs and services was $23,154,516. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

		2008	2007	Percentage Change
Revenues				
Program Revenues				
Charges for services	$	570,278	460,239	24%
Operating Grants and Contributions		2,719,057	3,496,599	-22%
Capital Grants and Contributions		868,680	89,333	872%
Total Program Revenues		4,158,015	4,046,171	3%
General Revenues				
Property Taxes		3,751,845	3,594,591	4%
Unrestricted Grants and Contributions		15,185,096	13,534,294	12%
Unrestricted Investment Earnings		17,864	88,594	-80%
Other		174,825	122,650	43%
Total General Revenues		19,129,630	17,340,129	10%
Total revenues		23,287,645	21,386,300	9%
Expenses				
Instruction		12,444,941	12,564,998	-1%
Support services		7,653,096	7,523,843	2%
Non-instructional		2,110,173	1,508,207	40%
Interest on long-term liabilities		946,306	984,081	-4%
Total expenses		23,154,516	22,581,129	3%
Increase (Decrease) in net assets		133,129	(1,194,829)	111%
Net Assets, July 1		2,419,127	3,751,253	-36%
Prior Period Adjustment			(137,297)	100%
Net Assets, Restated		2,419,127	3,613,956	-33%
Net Assets, June 30	$	2,552,256	2,419,127	6%



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

		2008 Expenses	2007 Expenses	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
Instruction	$	12,444,941	12,564,998	(10,448,472)	(11,167,177)
Support Services		7,653,096	7,523,843	(6,919,052)	(6,139,692)
Non-Instructional		2,110,173	1,508,207	(682,671)	(244,008)
Interest on Long-Term Liabilities		946,306	984,081	(946,306)	(984,081)
	$	23,154,516	22,581,129	(18,996,501)	(18,534,958)



- Net cost of governmental activities ($18,996,501), was financed by general revenue, which is made up of primarily property taxes $3,751,845 and state revenue $15,061,231.

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 $576,944, a decrease of $834,655. ($375,035) or (65)% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved general funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. For example, debt service fund balance is to be used to retire the District's debt. The remaining fund balance of $951,979 or 165% 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 $448,700 due primarily to an increase in utilities and fuel costs. The School Bond Retirement Fund 2004 showed a decrease of $84,126 and the fund balance of Other Governmental Funds showed a decrease of $301,829.

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.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General 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 were $31,654,868, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of $96,039 from the previous year. Total accumulated depreciation as of June 30, 2008 was $7,840,599 and total depreciation expense for the year was $708,090, resulting in total net capital assets of $23,814,269.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	$ 469,540	469,540	0%
Construction in progress	74,460	-	100%
Buildings	22,087,391	22,586,776	-2%
Improvements other than buildings	310,079	265,284	17%
Mobile equipment	734,679	921,917	-20%
Furniture and equipment	138,120	980	13994%
	$ 23,814,269	24,244,497	-2%

Additional information of the District's capital assets can be found in Note 4 on page 33 of this report.

Debt Administration. At June 30, 2008, the District had $16,620,000 in general obligation bonds outstanding and $5,076,228 other long-term debt outstanding, of which $1,477,284 is due within one year.

			Percentage
	2008	2007	Change
General obligation bonds payable	$ 16,620,000	17,380,000	-4%
Limited obligation bonds payable	2,935,000	3,165,000	-7%
Limited Tax Note Payable	240,000	470,000	-49%
General obligation lease	1,694,818	1,833,879	-8%
Installment purchase loans payable	110,000	137,500	-20%
Compensated absences	96,410	87,653	10%
	$ 21,696,228	23,074,032	-6%

The District maintains a AA bond rating. Additional information of the District's long-term debt can be found in Note 5 on page 34 of this report.

CURRENT ISSUES

The Tate County District is financially stable and has experienced stable, even slightly increasing enrollment since FY 2001. The Monthly Attendance Record submitted to the MS Department of Education for Month 9, FY 08, shows enrollment to be 3,041 students. 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 Tate County School District, 107 Court Street, Senatobia, MS 38668.

FINANCIAL STATEMENTS

EXHIBIT A

TATE COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets	
Cash and cash equivalents	$ 1,252,905
Investments	34,722
Due from other governments	647,640
Inventories	32,468
Capital assets, non-depreciable:	
Land	469,540
Construction in progress	74,460
Capital assets, net of accumulated depreciation:	
Buildings	22,087,391
Improvements other than buildings	310,079
Mobile equipment	734,679
Furniture and equipment	138,120
Total Assets	25,782,004
Liabilities	
Accounts payable and accrued liabilities	1,082,448
Interest payable on long-term liabilities	142,729
Other payables	308,343
Long-term liabilities (due within one year):	
Capital related liabilities	1,477,284
Long-term liabilities (due beyond one year)	
Capital related liabilities	20,122,534
Non-capital related liabilities	96,410
Total Liabilities	23,229,748
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,214,451
Restricted Net Assets:	
School Based Activities	297,341
Debt Service	539,438
Capital Improvements	181,846
Unemployment Benefits	55,498
Unrestricted	(736,318)
Total Net Assets	$ 2,552,256

The accompanying notes are an integral part of this statement.

EXHIBIT B

TATE COUNTY SCHOOL DISTRICT

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	12,444,941	561,176	1,345,909	89,384	(10,448,472)
Support services	7,653,096	--	734,044	--	(6,919,052)
Noninstructional services	2,110,173	9,102	639,104	779,296	(682,671)
Interest on long-term liabilities	946,306	--	--	--	(946,306)
Total Governmental Activities	$ 23,154,516	$ 570,278	$ 2,719,057	$ 868,680	(18,996,501)

General Revenues:	
Taxes:	
General purpose levies	2,154,302
Debt purpose levies	1,597,543
Unrestricted grants and contributions:	
State	15,061,231
Federal	123,865
Unrestricted investment earnings	17,864
Other	174,825
Total general revenues	19,129,630
Change in Net Assets	133,129
Net Assets - Beginning	2,419,127
Net Assets - Ending	$ 2,552,256

The accompanying notes are an integral part of this statement.

EXHIBIT C

TATE COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Bond Retirement Fund 2004	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 292,110	$ --	$ 960,795	$ 1,252,905
Investments	--	--	34,722	34,722
Due from other governments	285,383	22,357	339,900	647,640
Due from other funds	--	287,950	20,864	308,814
Inventories	--	--	32,468	32,468
Total Assets	$ 577,493	$ 310,307	$ 1,388,749	$ 2,276,549
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 1,061,637	$ --	$ 20,811	$ 1,082,448
Due to other funds	123,156	--	185,658	308,814
Other payables	32,608	274,663	1,072	308,343
Total Liabilities	1,217,401	274,663	207,541	1,699,605
Fund balances:				
Reserved for:				
Inventory	--	--	32,468	32,468
Unemployment	--	--	55,498	55,498
Capital projects funds	--	--	181,846	181,846
Debt service funds	--	35,644	646,523	682,167
Unreserved, undesignated, reported in:				
General fund	(639,908)	--	--	(639,908)
Special Revenue funds	--	--	264,873	264,873
Total Fund Balances	(639,908)	35,644	1,181,208	576,944
Total Liabilities and Fund Balances	$ 577,493	$ 310,307	$ 1,388,749	$ 2,276,549

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

TATE COUNTY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances - governmental funds balance sheet	$	576,944
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		23,814,269
Liabilities due in one year are not recognized in the funds.		(1,477,284)
Payables for bond principal which are not due in the current period are not reported in the funds.		(18,490,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(1,550,034)
Payables for bond interest which are not due in the current period are not reported in the funds.		(142,729)
Payables for compensated absences not due in the current period are not reported in the funds.		(96,410)
Installment purchase loans not due and payable in the current period are not reported in the funds.		(82,500)
Net assets of governmental activities - statement of net assets	$	2,552,256

The accompanying notes are an integral part of this statement.

EXHIBIT D

TATE COUNTY SCHOOL DISTRICT

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

	General Fund	Bond Retirement Fund 2004	Other Governmental Funds	Total Governmental Funds
Revenue:				
Local sources	$ 2,630,778	$ 700,024	$ 1,343,012	$ 4,673,814
State sources	14,708,357	--	940,833	15,649,190
Federal sources	139,183	--	2,750,856	2,890,039
Total revenues	17,478,318	700,024	5,034,701	23,213,043
Expenditures:				
Instruction	10,314,212	--	2,039,151	12,353,363
Support services	6,585,612	--	881,138	7,466,750
Noninstructional services	174,733	--	1,552,751	1,727,484
Facilities acquisition and construction	--	--	211,652	211,652
Debt service:				
Principal	166,561	440,000	780,000	1,386,561
Interest	97,809	341,400	519,313	958,522
Other	650	2,750	4,592	7,992
Total expenditures	17,339,577	784,150	5,988,597	24,112,324
Excess (deficiency) of revenues over expenditures	138,741	(84,126)	(953,896)	(899,281)
Other financing sources (uses):				
Insurance loss recoveries	74,551	--	--	74,551
Sale of other property	50	--	--	50
Operating transfers in	--	--	673,668	673,668
Operating transfers out	(662,042)	--	(11,626)	(673,668)
Total other financing sources (uses)	(587,441)	--	662,042	74,601
Net change in fund balance	(448,700)	(84,126)	(291,854)	(824,680)
Fund Balances:				
July 1, 2007	(191,208)	119,770	1,483,037	1,411,599
Increase (decrease) in reserve for inventory	--	--	(9,975)	(9,975)
June 30, 2008	$ (639,908)	$ 35,644	$ 1,181,208	$ 576,944

The accompanying notes are an integral part of this statement.

EXHIBIT D-1

TATE COUNTY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	$	(824,680)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		300,666
The depreciation of capital assets used in governmental activities is not reported in the funds.		(708,090)
The gain or loss on the sale of capital assets is not reported in the funds.		(22,804)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		990,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		139,061
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		27,500
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.		230,000
(Increase) decrease in accrued interest from beginning of period to end of period		20,208
Change in inventory is an adjustment in the funds but affects expense in the SOA.		(9,975)
Compensated absences are reported as earned in SOA but as amount paid in the funds.		(8,757)
Change in net assets of governmental activities - statement of activities	$	133,129

The accompanying notes are an integral part of this statement.

EXHIBIT E

TATE COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

		Agency Funds
ASSETS AND OTHER DEBITS		
Assets:		
Cash and other deposits	$	1,073,301
Total Assets and Other Debits	$	1,073,301
LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts payable and accrued liabilities	$	766,446
Salary withholdings payable		280,217
Due to student clubs		26,638
Total Liabilities	$	1,073,301

The accompanying notes are an integral part of this statement.

Tate County 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 a "primary government." The school district is governed by a five member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government 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 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 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 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.

Bond Retirement Fund 2004 - This fund is used to account for the construction and renovations financed by the 2004 Bond Issue.

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 *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 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 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 government-wide and governmental 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 - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

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

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

Unreserved, undesignated - 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 authorities of the county on behalf of the school district based upon an order adopted by the school board of the

school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by policy of the school district. 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 only 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.

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.

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 guranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amount less than $100 can be credited to the General Fund.

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was $1,252,905, and $26,638 respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents $1,252,905. The bank balance was $3,736,537.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of $3,736,537 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	$ 34,722	A
Total Investments		$ 34,722	

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

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

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

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	$	34,722	100%
	$	34,722	100%

(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	$ 0	$123,156
Bond Retirement Fund 2004	287,950	0
Other governmental funds	20,864	185,658
Total Funds	$308,814	$308,814

The purpose of the Due From/To other funds balances was to eliminate cash deficits in various 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	$ 662,042
Other governmental Funds	673,668	11,626
Total Funds	$673,668	$673,668

The purpose of the transfers was to net some expenses in prior year audit. 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	$ 469,540					469,540
Construction in progress	0	74,460				74,460
Total non-depreciable capital assets	469,540	74,460	0	0	0	544,000
Depreciable capital assets:						
Buildings	27,433,061					27,433,061
Improvements other than buildings	276,338	58,175				334,513
Mobile equipment	3,038,425		204,627			2,833,798
Furniture and equipment	341,465	168,031				509,496
Total depreciable capital assets	31,089,289	226,206	204,627	0	0	31,110,868
Less accumulated depreciation for:						
Buildings	4,846,285	499,385				5,345,670
Improvements other than buildings	11,054	13,380				24,434
Mobile equipment	2,116,508	164,434	181,823			2,099,119
Furniture and equipment	340,485	30,891				371,376
Total accumulated depreciation	7,314,332	708,090	181,823	0	0	7,840,599
Total depreciable capital assets, net	23,774,957	(481,884)	22,804	0	0	23,270,269
Governmental activities capital assets, net	$ 24,244,497	(407,424)	22,804	0	0	23,814,269

Depreciation expense was charged to the following governmental functions:

	Amount

Instruction	$ 171,835
Support Services	163,541
Non-instructional	372,714
Total depreciation expense	$ 708,090

(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 6-30-2008	Amounts due within one year
A.	General obligation bonds payable	$ 17,380,000		760,000		16,620,000	825,000
B.	Limited obligation bonds payable	3,165,000		230,000		2,935,000	240,000
C.	Limited Tax Note Series 2006	470,000		230,000		240,000	240,000
D.	General obligation lease	1,833,879		139,061		1,694,818	144,784
E.	Installment purchase loan payable	137,500		27,500		110,000	27,500
F.	Compensated absences payable	87,653	8,757			96,410	
	Total	$ 23,074,032	8,757	1,386,561	0	21,696,228	1,477,284

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)	Varies	02-01-98	02-01-18	$ 2,000,000	1,235,000
General obligation bonds, (Series 2004)	3.75-4%	12-21-04	06-01-20	9,500,000	8,465,000
General obligation bonds, (Series 2005)	Varies	06-21-05	06-01-22	7,500,000	6,920,000
Total				$19,000,000	16,620,000

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

Year Ending June 30	Principal	Interest	Total

2009	$	825,000	653,130	1,478,130
2010		885,000	619,568	1,504,568
2011		960,000	584,943	1,544,943
2012		1,035,000	547,258	1,582,258
2013		1,110,000	506,643	1,616,643
2014 - 2018		6,865,000	1,826,409	8,691,409
2019 - 2023		4,940,000	442,630	5,382,630
Total	$	16,620,000	5,180,581	21,800,581

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 18% of property assessments as of October 1, 2007. A determination was made that the school district met the requirements of Section 37-59-7, Mississippi Code Annotated (1972); therefore, the district is subject to a 25% debt limitation rather than the 15% limitation previously mentioned. These debts will be retired from the Bond Retirement Fund 1998, Bond Retirement Fund 2004, and Bond Retirement Fund 2005.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement	4.3-6.1%	03/98	03/18	$4,640,000	$2,935,000

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

Year Ending June 30		Principal	Interest	Total
2009	$	240,000	135,660	375,660
2010		250,000	124,860	374,860
2011		260,000	113,360	373,360
2012		270,000	101,400	371,400

2013	285,000	88,980	373,980
2014 - 2018	1,630,000	233,215	1,863,215
Total	$ 2,935,000	797,475	3,732,475

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

C. Limited Tax Note Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2006	5.37%	07-03-2006	07-03-2008	$ 470,000	240,000
Total				$ 470,000	240,000

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

Year Ending June 30	Principal	Interest	Total
2009	$ 240,000	14,094	254,094

This debt will be retired from the District Maintenance Fund.

D. General Obligation Lease.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
G.O. Lease Agreement	4.04%	03-01-06	03-01-18	$ 2,000,000	1,694,818
Total				$ 2,000,000	1,694,818

The school district has entered into general obligation lease based on the need to lease school facilities.

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

Year Ending June 30		Principal	Interest	Total
2009	$	144,784	65,322	210,106
2010		151,250	59,343	210,593
2011		157,475	53,118	210,593
2012		163,956	46,637	210,593
2013		170,704	39,889	210,593
2014 - 2018		906,649	79,453	986,102
Total	$	1,694,818	343,762	2,038,580

This debt will be retired from the School Lease Issue Fund.

E. Installment purchases loans payable.

The school district has entered into an installment purchases agreement under Miss. Code Ann. 37-7-301. Property under this installment purchases agreement is composed of fifty-four (54) acres of land.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Land Note	5%	09/15/03	09/15/11	$220,000	$110,000

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

Year Ending June 30		Principal	Interest	Total
2009	$	27,500	5,500	33,000
2010		27,500	4,125	31,625
2011		27,500	2,062	29,562
2012		27,500	2,063	29,563
Total	$	110,000	13,750	123,750

In an agreement with Michael Ferguson, et al., the district purchased 54 acres of land in Tate County for future use as a school site. This debt will be retired from the general fund.

F. 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 the fiscal year ending June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were $1,470,349, $1,321,870, and $1,199,502, 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 95 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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

(8) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated January 31, 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 City School District and the Tate County School District.

Section 37-13-92(6), 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 consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Senatobia - Tate County Regional Vocational Education 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 School District	$	49,998
Taxes		89,670
Total tuition from other LEA's within the state		139,668
Federal sources		422
Total Revenues		140,090
Expenditures		
Salaries		87,507
Employee benefits		44,603

Purchased property services		19,658
Other purchased services		275
Supplies		7,956
Total Expenditures		159,999
Excess (Deficiency) of Revenues Over Expenditures		(19,909)
Other Financing Sources/Uses:		
Transfers In		42,264
Total Other Financing Sources/Uses		42,264
Net Change in Fund Balance		22,355
Fund Balance:		
July 1, 2007		1,963
June 30, 2008	$	24,318

(9) Deficit Fund Balance of Individual Funds.

The District Maintenance Fund has a deficit fund balance in the amount of $639,908. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972). Section 37-61-19, Miss. Code Ann. (1972), imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

(10) Subsequent Event.

Tate County School District issued a tax anticipation note in the amount of $510,000 and the proceeds were received in August 2008.

(11) 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.

REQUIRED SUPPLEMENTARY INFORMATION

TATE COUNTY 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	$ 2,545,306	2,545,306	2,630,778	0	85,472
State sources	15,168,502	15,168,502	14,708,357	0	(460,145)
Federal sources	118,092	118,092	139,183	0	21,091
Total Revenues	17,831,900	17,831,900	17,478,318	0	(353,582)
Expenditures:					
Instruction	9,925,767	9,925,767	10,314,212	0	(388,445)
Support services	6,296,084	6,296,084	6,585,612	(0)	(289,528)
Noninstructional services	161,500	161,500	174,733	0	(13,233)
Debt Service:					
Principal	162,500	162,500	166,561	0	(4,061)
Interest	88,250	88,250	97,809	0	(9,559)
Other	250	250	650	0	(400)
Total Expenditures	16,634,351	16,634,351	17,339,577	(0)	(705,226)
Excess (Deficiency) of Revenues Over Expenditures	1,197,549	1,197,549	138,741	(0)	(1,058,808)
Other Financing Sources (Uses):					
Proceeds of loans				0	0
Insurance loss recoveries			74,551	0	74,551
Sale of other property			50	0	50
Transfers In	1,264,651	1,264,651		(0)	(1,264,651)
Other Financing Uses				0	0
Transfers out	(2,189,261)	(2,189,261)	(662,042)	(0)	1,527,219
Miscellaneous Other Financing Uses	(2,000)	(2,000)		0	2,000
Total Other Financing Sources (Uses)	(926,610)	(926,610)	(587,441)	(0)	339,169
Net Change in Fund Balances	270,939	270,939	(448,700)	(0)	(719,639)
Fund Balances:					
July 1, 2007	867,429	867,429	(191,208)	0	(1,058,637)
June 30, 2008	$ 1,138,368	1,138,368	(639,908)	(0)	(1,778,276)

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

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Tate County 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	$313,333
National School Lunch Program	10.555	874,784
Summer Food Service Program for Children	10.559	4,346
Total child nutrition cluster		1,192,463
Total passed-through the MDE		1,192,463
TOTAL U. S. DEPARTMENT OF AGRICULTURE		1,192,463
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	85,828
Total Federal Communication Commission		85,828
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	560,940
Career and Technical Education - Basic Grants to States	84.048	53,807
Safe and Drug Free Schools and Communities - State Grants	84.186	12,944
State Grants for Innovative Programs	84.298	6,396
Education Technology State Grants	84.318	7,640
Improving Teacher Quality - State Grants	84.367	223,805
Grants for State Assessments and Related Activities	84.369	17,451
Special Education Cluster:		
Special Education - Grants to States	84.027	661,950
Special Education - Preschool Grants	84.173	22,848
Total special education cluster		684,798
Total passed-through the MDE		1,567,781
TOTAL U. S. DEPARTMENT OF EDUCATION		1,567,781
TOTAL FOR ALL FEDERAL AWARDS		$2,846,072

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.

Tate County School District

Schedule 2

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	$	17,195,165	11,786,351	254,094	1,205,574	3,949,146
Other		6,917,159	1,141,965	228,684	123,518	5,422,992
Total	$	24,112,324	12,928,316	482,778	1,329,092	9,372,138
Total number of students *		3,041				
Cost per student	$	7,929	4,251	159	437	3,082

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

TATE COUNTY SCHOOL DISTRICT

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

General Fund

Last Four Years

		2008	2007*	2006*	2005*
Revenues:					
Local sources	$	2,630,778	2,381,833	2,457,622	2,058,995
State sources		14,708,357	13,046,752	12,345,270	11,734,550
Federal sources		139,183	156,510	95,294	83,420
Total Revenues		17,478,318	15,585,095	14,898,186	13,876,965
Expenditures:					
Instruction		10,314,212	9,666,097	9,047,031	7,960,978
Support services		6,585,612	6,713,925	5,102,066	4,952,887
Noninstructional services		174,733	162,903	150,390	240,750
Facilities acquisition and construction				56,453	
Debt service:					
Principal		166,561	161,487	60,058	269,769
Interest		97,809	85,256	47,265	14,402
Other		650	200		
Total Expenditures		17,339,577	16,789,868	14,463,263	13,438,786
Excess (Deficiency) of Revenues over Expenditures		138,741	(1,204,773)	434,923	438,179
Other Financing Sources (Uses):					
Proceeds of loans			470,000		375,000
Insurance loss recoveries		74,551	27,750		
Sale of transportation equipment				1,950	5,902
Sale of other property		50	1,850	400	19,515
Operating transfers in				1,418,060	1,227,129
Operating transfers out		(662,042)	(1,032,720)	(2,245,971)	(1,914,455)
Other financing uses			(2,472)	(47,618)	(3,989)
Total Other Financing Sources (Uses)		(587,441)	(535,592)	(873,179)	(290,898)
Net Change in Fund Balances		(448,700)	(1,740,365)	(438,256)	147,281
Fund Balances					
July 1,		(191,208)	1,549,157	1,987,413	1,831,785
Prior period adjustments					8,347
July 1, as restated		(191,208)	1,549,157	1,987,413	1,840,132
June 30,	$	(639,908)	(191,208)	1,549,157	1,987,413

*SOURCE - PRIOR YEAR AUDIT REPORTS

TATE COUNTY SCHOOL DISTRICT

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

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	$ 4,673,814	4,405,401	4,691,734	2,884,985
State sources	15,649,190	14,150,017	13,258,587	12,590,822
Federal sources	2,890,039	2,801,282	2,848,122	2,885,652
Total Revenues	23,213,043	21,356,700	20,798,443	18,361,459
Expenditures:				
Instruction	12,353,363	12,195,972	11,422,442	10,332,711
Support services	7,466,750	7,706,437	6,037,353	6,035,864
Noninstructional services	1,727,484	1,450,168	1,276,219	1,396,856
Facilities acquisition and construction	211,652	3,503,725	13,765,036	1,377,048
Debt service:				
Principal	1,386,561	1,257,638	888,483	544,769
Interest	958,522	972,461	1,113,646	268,455
Other	7,992	7,091		
Total Expenditures	24,112,324	27,093,492	34,503,179	19,955,703
Excess (Deficiency) of Revenues over Expenditures	(899,281)	(5,736,792)	(13,704,736)	(1,594,244)
Other Financing Sources (Uses):				
Proceeds of general obligation bonds				17,000,000
Proceeds of loans		470,000		375,000
Inception of capital leases			2,000,000	
Insurance loss recoveries	74,551	27,750		
Sale of transportation equipment			1,950	5,902
Sale of other property	50	1,850	400	19,515
Operating transfers in	673,668	1,690,762	2,414,869	1,940,775
Operating transfers out	(673,668)	(1,690,762)	(2,414,869)	(1,940,775)
Other financing uses		(11,442)	(101,617)	(9,180)
Total Other Financing Sources (Uses)	74,601	488,158	1,900,733	17,391,237
Net Change in Fund Balances	(824,680)	(5,248,634)	(11,804,003)	15,796,993
Fund Balances:				
July 1,	1,411,599	6,647,343	18,529,173	2,694,025
Prior period adjustments			(68,580)	34,770
July 1, as restated	1,411,599	6,647,343	18,460,593	2,728,795
Increase (Decrease) in reserve for inventory	(9,975)	12,890	(9,247)	3,385
June 30,	$ 576,944	1,411,599	6,647,343	18,529,173

*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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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
Tate County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2008, which collectively comprise Tate County School District's basic financial statements and have issued our report thereon dated December 12, 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-1, 2008-2 and 2008-3, to be significant deficiencies in internal control over financial reporting.

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.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 2008-1, 2008-2 and 2008-3 to be material weaknesses.

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 instances of noncompliance or other matters required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-1 and 2008-3.

Tate County School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Tate County School District's responses and, accordingly, we express no opinion on them.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 12, 2008

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
Tate County School District

Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control

that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness

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. We consider the deficiency in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-4 to be a significant deficiency.

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. We consider the significant deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-4 to be a material weakness.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 12, 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
Tate County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2008, which collectively comprise Tate County School District's basic financial statements and have issued our report thereon dated December 12, 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(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $14,180 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 disclosed the instances of noncompliance described in Finding 2008-1 and 2008-3 in the Schedule of Findings and Questioned Costs.

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

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 12, 2008

Certified Public Accountants

FINDINGS, CORRECTIVE ACTION PLAN & AUDIT FINDINGS FOLLOW-UP

Tate 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? Yes.

3. Internal control over financial reporting:
   - Material weaknesses identified? Yes.
   - Significant deficiency(ies) identified that is not considered to be a 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? Yes.
   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? Yes.

7. Federal programs identified as major programs:

   a. Child Nutrition Cluster:
      CFDA# 10.553
      CFDA# 10.555
      CFDA# 10.559

   b. Title I Grants to Local Educational Agencies.
      CFDA# 84.010

   c. Special Education Cluster:
      CFDA# 84.027
      CFDA# 84.173

8. The dollar threshold used to distinguish between Type A and Type B programs was: $300,000.

9. Auditee qualified as a low-risk auditee? No.

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? Yes.

Section 2: Financial Statement Findings

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

Material Weakness and Material Noncompliance:

Finding 2008-1:

We noted several fund balances that were in a deficit position at year end. In the prior school year, three new schools were opened and made immediately fully operational to accommodate rapid growth in enrollment. This growth has occurred mainly due to the population increases in the Memphis, TN metro area including DeSoto County, MS to the north. Prior to the opening of the three new schools, four schools plus a vocational school operated in consortium with the Senatobia Municipal School District.

The General Fund incurred a deficit fund balance totaling $639,908. This figure increased when compared to the prior year total of $191,208. The District Maintenance fund, the main operational fund, showed a fund balance deficit of $853,168. State funding provided by the Mississippi Adequate Education Program (MAEP) was not adequate in providing necessary resources to support increased operations in the District Maintenance fund. This is in violation of Section 37-61-19, Miss Code Ann. (1972), where it states that it shall be the duty of the superintendent and school board members to limit the expenditure of school funds during the fiscal year to the resources available.

Also, the Food Service fund had a deficit fund balance totaling $104,773, adding $75,220 to the prior year deficit fund balance of $29,553. This deficit fund balance increase can be attributed chiefly to maintaining student meal costs at the same fixed rate as in prior years. At the same time, food costs have risen sharply due mainly to increased transportation costs. In addition to this, the Food Service Fund had a deficit cash balance in the amount of $4,174.

Recommendation

Tate County School District should take careful consideration annually in ensuring that local and state funding requests adequately reflect both: 1) anticipated growth in student enrollment and 2) operational expenses necessary to accommodate the increasing enrollment. Management should consider these factors during the budgeting process. If state and local funding sources are inadequate to meet the needs stated above, expenditure levels should be decreased and/or additional revenue sources obtained through the local ad valorem tax request and/or state funding sources in order to guard against a deficit fund balance position. Also, the District should closely monitor expenditures incurred in all funds during the fiscal year. If expenditures threaten to exceed budgeted amounts, either cease expenditure activity within said fund or properly approve budget amendments to allow for further account activity.

School District Response

Local increase is limited to 7% except for a referendum, which the district does not believe will pass with the economy the way it is. State funding is based on prior period enrollment, and unless there is

a certain amount of increased enrollment, we are limited to the State formula. The School District will monitor expenditures to comply with Section 37-61-19.

Material Weakness:

Finding 2008-2:

During our examination of District bank statements in conjunction with audit procedures performed on cash, it was noted that bank statements were not reconciled in a timely manner. Journal entries were posted to accounting records late in the fiscal year to eliminate bank account adjustments carried throughout the year on the monthly reconciliations. In the District Maintenance fund, two such adjustments were noted in May and June. Journal entries performed by the Business Manager were made in order to match reconciled bank statements to accounting records, including adjustments to the fund balance. Additionally, as of the date of our test work, bank statements subsequent to June 2008 had not been reconciled to the accounting records by District personnel. Failure to provide timely bank reconciliations increases the likelihood of unrecorded transactions or transactions being recorded in error and not being detected by the District in a timely manner. This could materially affect the reasonableness of the presentation of the financial statements.

Recommendation

Tate County School District management, particularly the Business Manager and related financial personnel, should reconcile the bank statements in a timely manner. Bank statement reconciliations should be performed in the subsequent month for the previous month's statements received. These reconciled bank statements should match the detailed general ledger cash total at the end of the previous month. All bank statements not reconciled up to this point should immediately be reconciled up to the current date.

School District Response

Bank statements will be reconciled monthly.

Material Weakness and Material Noncompliance:

Finding 2008-3:

Ad valorem tax collections in the amount of $287,950 which were settled monthly by the Tate County Tax Collector to the District in accordance with the MS Code Section 37-59-23 for the purpose of general obligation bond principal and interest payments were subsequently transferred to the District Maintenance fund through an interfund loan and utilized for operating purposes. Also, Section 37-61-19, Miss. Code Ann. (1972), states that it shall be the duty of the Superintendent and school board members to limit the expenditure of school funds during the fiscal year according to resources available. The following funds had deficit cash balances:

- Bond Retirement Fund 2004 $274,662.53
- Bond Retirement Fund $ 1,071.93

Recommendation

Funds levied in accordance with MS Code Section 37-59-23 should only be used for the payment of principal and interest on the corresponding general obligation bonds for which they were levied. The $287,950 that was transferred through an interfund loan to the District Maintenance fund should be returned to the Debt Service fund to provide for principal and interest payments on the debt. Tate County School District should also closely monitor expenditures incurred in all funds during the

fiscal year. If expenditures threaten to exceed budgeted amounts, expenditure activity should be altered and budget amendments should be properly approved to allow for further account activity.

School District's Response:
The $287,950 will be transferred back to the Debt Service fund. In the future, no loans from the Debt Service will be transferred to cover District Maintenance expenditures. School District will monitor expenditures to comply with Section 37-61-19.

Section 3: Federal Award Findings and Questioned Costs
The results of our tests disclosed the following finding related to the federal awards.

Material Weakness:
Finding 2008-4:

Compliance requirement: Property Management
Program: Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
CFDA# 10.559

The *Mississippi Public School Assets Management Manual* states, "Physical tagging of assets is one of the most important aspects of fixed asset control. There are many commercial methods of attaching property numbers that should be investigated by the school district. Different tagging procedures should be used depending on the type of equipment being tagged. School district officials should label property items not included on their inventory lists with tags "Property of (Name of School)." These tags should be different in color than those used to indicate inventory number. Assets must be identified with a unique number signifying ownership and allowing for positive identification. Numbering assets is an important internal control." Five out of fourteen capital assets selected for testing were either not tagged or had inventory tags that were worn or unreadable.

Recommendation
Tate County School District should take corrective action when the next District-wide capital asset inspection occurs. Capital assets without identifying inventory tags should be provided appropriate tags, dependent upon whether the asset itself can display the tag. If a tag cannot be affixed to the asset, alternative means of properly identifying the assets should be explored. Capital assets with worn or unreadable inventory tags should be provided replacement tags.

School District Response
The District will conduct an annual capital asset inventory and replace damaged tags so that tracking of assets will be possible.

Tate County School District
107 Court Street
Senatobia, MS 38668
Gary W. Walker - Superintendent
Mike Schwartz - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ___.315(b) of OMB Circular A-133, the Tate County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2008:

Finding	Corrective Action Plan Details
2008-1	a. Name of Contact Person Responsible for Corrective Action: name: Mike Schwartz, Business Manager phone number: 662-562-5861 b. Corrective Action Planned: The district will evaluate alternatives to eliminate the deficit fund balances. c. Anticipated Completion Date: June 30, 2009
2008-2	a. Name of Contact Person Responsible for Corrective Action: name: Mike Schwartz, Business Manager phone number: 662-562-5861 b. Corrective Action Planned: Additional training in the area of bank reconciliations will be obtained. c. Anticipated Completion Date: June 30, 2009
2008-3	a. Name of Contact Person Responsible for Corrective Action: name: Mike Schwartz, Business Manager phone number: 662-562-5861 b. Corrective Action Planned: Funds levied will only be used for the payment of principal and interest on the corresponding general obligation bonds for which they were levied. The amount that was transferred to the District Maintenance fund will be returned to the Debt Service fund to provide for principal and interest payments

on the debt.

c. Anticipated Completion Date: June 30, 2009

2008-4 a. Name of Contact Person Responsible for Corrective Action:

name: Mike Schwartz, Business Manager
phone number: 662-562-5861

b. Corrective Action Planned: The school district will improve its tagging procedures.

c. Anticipated Completion Date: June 30, 2009

Tate County School District
107 Court Street
Senatobia, MS 38668
Gary W. Walker - Superintendent
Mike Schwartz - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Finding	Status
2007-1	Not corrected
2007-2	Not Corrected