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**TISHOMINGO COUNTY SPECIAL  
MUNICIPAL SEPARATE SCHOOL DISTRICT  
IUKA, MISSISSIPPI**

**AUDITED  
FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**The Sparks CPA Firm, P.C.  
Certified Public Accountants**

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**IUKA, MISSISSIPPI**  
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June 30, 2008

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

Members of the Board  
Tishomingo County Special Municipal Separate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tishomingo County Special Municipal Separate School District, Iuka, Mississippi, as of and for the year ended June 30, 2008, which collectively comprise the Tishomingo County Special Municipal Separate School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District, Iuka, Mississippi, 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 August 7, 2009, on our consideration of the Tishomingo County Special Municipal Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, and budgetary comparison schedule and corresponding notes on pages 4 through 8 and 32 through 34, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tishomingo County Special Municipal Separate 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 purpose 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.

*The Sparks CPA Firm, P.C.*

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
August 7, 2009

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Tishomingo County Special Municipal Separate School District Management Discussion and Analysis For the Year Ended June 30, 2008**

The discussion and analysis of Tishomingo 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 is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic 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 by \$208,193, which represents a 1% increase from fiscal year 2007. This increase can be primarily attributed to a decrease in long term liabilities.

General revenues account for \$22,849,869 in revenue, or 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,597,611 or 17% of total revenues.

The District had \$27,247,308 in expenses; only \$4,597,611 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,849,869 were adequate to provide for these programs.

The General Fund had \$21,328,316 in revenues and \$25,146,678 in expenditures. The General Fund's fund balance decreased \$3,578,106 for the year. This decrease was primarily due to construction projects throughout the district.

Capital assets, net of accumulated depreciation, increased by \$3,378,102. The increase is due to new and completed construction.

Long-term liabilities decreased by \$382,512.

### **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 assets and liabilities being 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 net 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 10 - 11 of this report.

**Fund financial statement.** 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 short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 16, respectively.

The District maintains individual governmental funds in accordance with the Financial Accounting Manual for Mississippi Public School Districts issued by the Mississippi Department of Education. 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 13 and 15 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 17.

**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 beginning on page 18 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 32 - 34 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found in this report, on pages 36 - 37.

The supplemental information section, which includes the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds, 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 and can be found on pages 38 - 41.

## **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 \$30,099,710 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, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in

progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	2008	2007	Net Change	Percentage Change
Current assets	\$ 11,146,533	\$ 14,938,946	\$ (3,792,413)	(25)%
Capital assets, net	24,288,312	20,910,210	3,378,102	16%
Total assets	<u>35,434,845</u>	<u>35,849,156</u>	<u>(414,311)</u>	<u>(1)%</u>
Current liabilities	2,474,587	2,711,086	(236,499)	(9)%
Long-term liabilities	2,860,548	3,246,553	(386,005)	(12)%
Total liabilities	<u>5,335,135</u>	<u>5,957,639</u>	<u>(622,504)</u>	<u>(10)%</u>
Net assets:				
Invested in capital assets, net	21,554,650	17,837,809	3,716,841	21%
Restricted	2,892,767	8,183,710	(5,290,943)	(65)%
Unrestricted	5,652,293	3,869,998	1,782,295	46%
Total net assets	<u>\$ 30,099,710</u>	<u>\$ 29,891,517</u>	<u>\$ 208,193</u>	<u>1%</u>

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

- The principal retirement of \$344,394 of long-term debt.
- The addition to capital assets and improvements of \$4,199,444.

**Changes in net assets.** The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 compared to 2007.

	2008	2007	Net Change	Percentage Change
Revenues:				
Program revenues	\$ 4,597,611	\$ 5,163,936	\$ (566,325)	(11)%
General revenues	22,849,869	20,456,368	2,393,501	12%
Total revenues	<u>27,447,480</u>	<u>25,620,304</u>	<u>1,827,176</u>	<u>7%</u>
Expenses:				
Instruction	15,979,824	14,963,709	1,016,115	7%
Support services	9,041,889	7,856,378	1,185,511	15%
Non-instructional	2,115,710	2,046,545	69,165	3%
Interest on long-term debt	109,885	115,078	(5,193)	(5)%
Total expenses	<u>27,247,308</u>	<u>24,981,710</u>	<u>2,265,598</u>	<u>9%</u>
Increase (decrease) in net assets:	200,172	638,594	(438,422)	(69)%
Net assets, July 1	29,891,517	29,200,085	691,432	2%
Prior period adjustment	8,021	52,838	(44,817)	(85)%
Net assets, June 30	<u>\$ 30,099,710</u>	<u>\$ 29,891,517</u>	<u>\$ 208,193</u>	<u>1%</u>

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

Total cost of governmental activities	2008	2007	Net Change	Percentage Change
Instruction	\$ 15,979,824	\$ 14,963,709	\$ 1,016,115	7%
Support services	9,041,889	7,856,378	1,185,511	15%
Non-instructional	2,115,710	2,046,545	69,165	3%
Interest on long-term debt	109,885	115,078	(5,193)	(5)%
<b>Total expenses</b>	<b>\$ 27,247,308</b>	<b>\$ 24,981,710</b>	<b>\$ 2,265,598</b>	<b>9%</b>
<b>Net cost of governmental activities</b>				
Instruction	\$ (13,639,604)	\$ (12,482,927)	\$ (1,156,677)	(9)%
Support services	(8,872,481)	(6,908,505)	(1,963,976)	(28)%
Non-instructional	(27,727)	(311,264)	283,537	91%
Interest on long-term debt	(109,885)	(115,078)	5,193	5%
<b>Total net cost</b>	<b>\$ (22,649,697)</b>	<b>\$ (19,817,774)</b>	<b>\$ (2,831,923)</b>	<b>(14)%</b>

### 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 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. The following table reflects fund balances for the fiscal year ending June 30, 2008 compared to fiscal year 2007.

	2008	2007	Net Change	Percentage Change
Reserved or designated	\$ 2,418,590	\$ 7,290,122	\$ (4,871,532)	(67)%
Unreserved/undesignated	6,788,605	5,462,962	1,325,643	24%
<b>Total fund balance</b>	<b>\$ 9,207,195</b>	<b>\$ 12,753,084</b>	<b>\$ (3,545,889)</b>	<b>(28)%</b>
General fund	6,735,289	10,313,395	(3,578,106)	(35)%
Other governmental funds	\$ 1,185,602	\$ 2,439,689	\$ (1,254,087)	(51)%

Unreserved and undesignated funds are funds which are available for spending at the District's discretion. Reserved or designated funds are those which are committed for debt service and capital improvements. The General Fund is the principal operating fund of the District.

### BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compare to the District's actual revenue and expenditure amounts for the General Fund and other major special revenue funds is provided in this report as required supplementary information. This report is located on pages 32 - 34.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The table below summarizes and compares capital assets and accumulated depreciation for the fiscal year June 30, 2008 and compares it to those corresponding values for 2007.

	2008	2007	Net Change	Percentage Change
Land	\$ 460,735	\$ 460,735	\$	
Construction in progress	2,877,815	2,225,453	652,362	29%
Buildings	16,237,182	14,902,900	1,334,282	9%
Building improvements	3,387,584	2,388,132	999,452	42%
Improvements other than buildings	593,790	418,611	175,179	42%
Mobile equipment	472,799	410,439	62,360	15%
Furniture and equipment	258,407	103,940	154,467	149%
<b>Total Net Capital Assets</b>	<b>\$ 24,288,312</b>	<b>\$ 20,910,210</b>	<b>\$ 3,378,102</b>	<b>16%</b>

Additional information of the District's capital assets can be found in Note 4 on page 25 of this report.

**Debt Administration.** The table below summarizes and compares general obligation bonds and other long-term debt for the fiscal year June 30, 2008 and compares it to those corresponding values for 2007.

	2008	2007	Net Change	Percentage Change
Three mill note payable	\$ 1,906,560	\$ 2,145,250	\$ (238,690)	(11%)
Shortfall notes payable	377,000	377,000		0%
Obligations under energy efficiency leases	827,102	927,151	(100,049)	(11%)
Other loans payable	6,747	20,240	(13,493)	(67%)
Compensated absences payable	210,071	240,372	(30,301)	(13%)
<b>Total Long-term Debt</b>	<b>\$ 3,327,480</b>	<b>\$ 3,710,013</b>	<b>\$ (382,533)</b>	<b>(10%)</b>

Additional information of the District's long-term debt can be found in Note 5 on pages 26 - 29 of this report.

## CURRENT ISSUES

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

The District is now committed to financial excellence. The millage has not increased over the past two years despite funding cuts and additional mandated expenditures by the State of Mississippi. In addition, the district system of financial planning, budgeting and internal financial controls are now well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will remain constant.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, you may contact the Office of the Superintendent, Tishomingo County School District, 1620 Paul Edmondson Drive, Iuka, MS 38852.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2008**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 9,274,473
Investments	970,788
Due from other governments	865,393
Accrued interest receivable	10,475
Inventories	25,404
Capital assets, non-depreciable:	
Land	460,735
Construction in progress	2,877,815
Capital assets, net of accumulated depreciation:	
Buildings	16,237,182
Building improvements	3,387,584
Improvements other than buildings	593,790
Mobile equipment	472,799
Furniture and equipment	<u>258,407</u>
<b>Total Assets</b>	<u><b>35,434,845</b></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,806,138
Retained percentage	121,843
Unearned revenue	11,357
Interest payable on long-term liabilities	68,317
Long-term liabilities, due within one year	
Capital related liabilities	342,185
Non-capital related liabilities	124,747
Long-term liabilities, due beyond one year	
Capital related liabilities	2,391,477
Non-capital related liabilities	<u>469,071</u>
<b>Total Liabilities</b>	<u><b>5,335,135</b></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	21,554,650
Restricted net assets:	
Expendable:	
School-based activities	567,898
Debt service	1,753,007
Capital improvements	489,178
Unemployment benefits	82,684
Unrestricted	<u>5,652,293</u>
<b>Total Net Assets</b>	<u><u><b>\$ 30,099,710</b></u></u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
			Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 15,979,824	660,883	1,679,337	(13,639,604)
Support services	9,041,889		169,408	(8,872,481)
Non-instructional	2,115,710	467,607	1,620,376	(27,727)
Interest on long-term liabilities	109,885			(109,885)
<b>Total Governmental Activities</b>	<b>\$ 27,247,308</b>	<b>1,128,490</b>	<b>3,469,121</b>	<b>(22,649,697)</b>
<b>General Revenues:</b>				
Taxes:				
General purpose levies				
Debt purpose levies				
Unrestricted grants and contributions:				
State				
Federal				
Unrestricted investment earnings				
Other				
<b>Total General Revenues</b>				
Change in Net Assets				200,172
Net Assets - Beginning				29,891,517
Prior Period Adjustments				8,021
Net Assets - Beginning - Restated				29,899,538
Net Assets - Ending				<b>\$ 30,099,710</b>

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

**FUND FINANCIAL STATEMENTS**

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2008**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	3 Mil 10 Year Fund		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,648,572	34,856	1,278,074	1,312,971	9,274,473
Investments	970,788				970,788
Due from other governments	257,730	230,265	8,230	369,168	865,393
Accrued interest receivable	10,475				10,475
Due from other funds	537,150			3,809	540,959
Inventories				25,404	25,404
<b>Total Assets</b>	<b>\$ 8,424,715</b>	<b>265,121</b>	<b>1,286,304</b>	<b>1,711,352</b>	<b>11,687,492</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 1,561,154	35,314		209,670	1,806,138
Due to other funds	6,429	229,807		304,723	540,959
Retained percentage	121,843				121,843
Unearned revenue				11,357	11,357
<b>Total Liabilities</b>	<b>1,689,426</b>	<b>265,121</b>		<b>525,750</b>	<b>2,480,297</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Inventory				25,404	25,404
Debt service			1,286,304	535,020	1,821,324
Unemployment benefits				82,684	82,684
<b>Unreserved:</b>					
Designated for Capital projects	489,178				489,178
<b>Undesignated, reported in:</b>					
General fund	6,246,111				6,246,111
Special revenue funds				542,494	542,494
<b>Total Fund Balances</b>	<b>6,735,289</b>		<b>1,286,304</b>	<b>1,185,602</b>	<b>9,207,195</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,424,715</b>	<b>265,121</b>	<b>1,286,304</b>	<b>1,711,352</b>	<b>11,687,492</b>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2008**

	Amount
Total Fund Balance - Governmental Funds	\$ 9,207,195
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$10,083,432.	24,288,312
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,327,480)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(68,317)
Total Net Assets - Governmental Activities	\$ 30,099,710

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	3 Mil 10 Year Fund		
<b>Revenues:</b>					
Local sources	\$ 4,717,813		351,493	632,401	5,701,707
State sources	15,650,400			1,306,665	16,957,065
Federal sources	960,103	661,868		2,603,230	4,225,201
Sixteenth section sources					-
<b>Total Revenues</b>	<b>21,328,316</b>	<b>661,868</b>	<b>351,493</b>	<b>4,542,296</b>	<b>26,883,973</b>
<b>Expenditures:</b>					
Instruction	13,256,677	314,345		1,992,081	15,563,103
Support services	7,940,353	310,977		1,070,537	9,321,867
Noninstructional services	179,402	36,546		1,830,059	2,046,007
Facilities acquisition and construction	3,632,390				3,632,390
Debt service:					
Principal	105,703		53,783	184,908	344,394
Interest	32,153		70,793		102,946
<b>Total Expenditures</b>	<b>25,146,678</b>	<b>661,868</b>	<b>124,576</b>	<b>5,077,585</b>	<b>31,010,707</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(3,818,362)</b>		<b>226,917</b>	<b>(535,290)</b>	<b>(4,126,734)</b>
<b>Other Financing Sources (Uses):</b>					
Investment earnings	526,854		43,434	28,293	598,581
Insurance loss recoveries	7,530				7,530
Operating transfers in				296,090	296,090
Operating transfers out	(294,128)			(1,962)	(296,090)
<b>Total Other Financing Sources (Uses)</b>	<b>240,256</b>		<b>43,434</b>	<b>322,421</b>	<b>606,111</b>
<b>Net Change in Fund Balances</b>	<b>(3,578,106)</b>		<b>270,351</b>	<b>(212,868)</b>	<b>(3,520,623)</b>
<b>Fund Balances:</b>					
July 1, 2007	10,313,395		1,015,953	1,423,736	12,753,084
Prior period adjustment				(204)	(204)
July 1, 2007 restated	10,313,395		1,015,953	1,423,532	12,752,880
<b>Increase(decrease) in reserve for inventory June 30, 2006</b>	<b>\$ 6,735,289</b>		<b>1,286,304</b>	<b>(25,062)</b>	<b>(25,062)</b>
				<b>1,185,602</b>	<b>9,207,195</b>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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**

		<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$	(3,520,623)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$4,199,444 and the depreciation expense amounted to \$778,738.		3,420,706
Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.		344,390
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.		(6,553)
Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.		(42,987)
Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.		(25,062)
Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Compensated absences		<u>30,301</u>
Change in Net Assets of Governmental Activities	\$	<u><u>200,172</u></u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2008**

		Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$	104,382
Total Assets		104,382
<b>Liabilities</b>		
Accounts payable and accrued liabilities		11,773
Due to student clubs		92,609
Total Liabilities	\$	104,382

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

**Title I Fund** – The Title I Fund is responsible for the accounting of revenue and expenditures associated with federal Title I funds. From the fund are paid expenditures that consist of instructional, support, and other costs.

**3 Mil 10 Year Fund** – This fund is responsible for the retirement of the 3 Mil 10 Year debt.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

Capital Projects Funds – Capital Project 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 results of operations.

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

**D Account Classifications.**

The account classifications used in the financial statements conform to the board 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 State School Systems, 2003* issued by the U.S. Department of Education.

**E. Encumbrances.**

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

**F. Assets, liabilities, and net assets or equity.**

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

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

6. Capital Assets

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

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

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

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

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

**7. Compensated Absences**

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

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

**8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums**

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

**9. Fund Equity**

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

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

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

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

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

**Unreserved – designated for, capital projects** – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

**Unreserved, undesignated** – An account that represents the portion of fund balances that is expendable available financial resources.

(2) **Cash and Cash Equivalents, and Investments.**

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

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

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

Cash and Cash Equivalents

The carrying amount of the school district's deposits with the financial institutions reported in the governmental funds and fiduciary funds was \$9,274,473 and \$104,382 respectively. The bank balance was \$10,582,707.

*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 \$10,582,707 was exposed to custodial credit risk.

Investments

As of June 30, 2008, the district had the following investments.

Investment Type	Maturities (in years)	Fair Value	Rating
Mississippi Education Investment Pool A	Less than 1 year	\$ 970,788	Not rated
Total Investments		<u>\$ 970,788</u>	

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

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment 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. As of June 30, 2008, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had no investments requiring such disclosure.

(3) Interfund Receivables, Payables and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	Due From	Due To
General Fund	\$ 537,150	\$ 6,429
Title I Fund		229,807
Other Governmental Funds	3,809	304,723
Total	<u>\$ 540,959</u>	<u>\$ 540,959</u>

The purpose of the interfund loans was to cover federal funds not received prior to year-end.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

**B. Interfund Transfers**

	Transfer In		Transfer Out
General Fund	\$		\$ 294,128
Other Governmental Funds		296,090	1,962
Total	\$	296,090	\$ <span style="border-top: 1px solid black; border-bottom: 3px double black;">296,090</span>

The primary purpose of interfund transfers was to provide funds for daily operations. All transfers were routine and consistent with the activities of the fund making the transfer.

**(4) Capital Assets**

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

	Balance <u>7/1/2007</u>	Additions	Retirements	Completed Construction	Adjustments	Balance <u>6/30/2008</u>
<b><u>Non-depreciable capital assets:</u></b>						
Land	\$ 460,735					460,735
Construction in progress	<u>2,225,453</u>	3,632,390		(2,980,028)		<u>2,877,815</u>
Total non-depreciable capital assets	<u>2,686,188</u>	3,632,390		(2,980,028)		<u>3,338,550</u>
<b><u>Depreciable capital assets:</u></b>						
Buildings	22,490,749		(211,107)	2,980,028	(1,200,825)	24,058,845
Building improvements	2,632,656				1,200,825	3,833,481
Improvements other than buildings	815,734	216,466				1,032,200
Mobile equipment	1,444,968	145,730				1,590,698
Furniture and equipment	<u>351,402</u>	<u>204,858</u>	(38,290)			<u>517,970</u>
Total depreciable capital assets	<u>27,735,509</u>	<u>567,054</u>	(249,397)	2,980,028		<u>31,033,194</u>
<b><u>Less accumulated depreciation for:</u></b>						
Buildings	(7,587,849)	(450,734)	168,886		(48,034)	(7,821,663)
Building improvements	(244,524)	(153,339)			48,034	(445,897)
Improvements other than buildings	(397,123)	(41,287)				(438,410)
Mobile equipment	(1,034,529)	(83,370)				(1,117,899)
Furniture and equipment	<u>(247,462)</u>	<u>(50,008)</u>	37,907			<u>(259,563)</u>
Total accumulated depreciation	<u>(9,511,487)</u>	<u>(778,738)</u>	206,793			<u>(10,083,432)</u>
Total depreciable capital assets, net	<u>18,224,022</u>	<u>(211,684)</u>	<u>(42,604)</u>	2,980,028		<u>20,949,762</u>
Governmental activities capital assets, net	<u>\$ 20,910,210</u>	<u>3,420,706</u>	<u>(42,604)</u>			<u>24,288,312</u>

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental Activities:</b>	
Instruction	\$ 447,022
Support services	287,076
Non-instructional	44,640
Total Depreciation Expense	\$ 778,738

Commitments under construction contracts at June 30, 2008, are summarized as follows:

	Spent to June 30, 2008	Remaining Commitment
District Roofing Project	\$ 816,938	69,042
Window Project	410,000	
TCHS Weight Room	190,988	123,442
Activities Building	1,459,889	
Total	\$ 2,877,815	412,309

(5) Long-term Liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2008	Amounts due within one year
A. Three mill notes payable	\$ 2,145,250		238,690		1,906,560	246,568
B. Shortfall notes payable	377,000				377,000	118,000
C. Obligations under energy efficiency lease	927,130		92,211	(7,817)	827,102	95,617
D. Other loans payable	20,240		13,493		6,747	6,747
E. Compensated absences payable	240,372			(30,301)	210,071	
<b>Total</b>	<b>\$ 3,709,992</b>		<b>344,394</b>	<b>(38,118)</b>	<b>3,327,480</b>	<b>466,932</b>

A. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
School Note, Series 2004	3.3%	9/1/2004	9/1/2014	\$ 2,600,000	1,906,560
<b>Total</b>				<b>\$ 2,600,000</b>	<b>1,906,560</b>

Details of the district's June 30, 2008 three mill notes payable are as follows:

Three mill notes payable were issued 9/1/2004.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

Year Ending June 30	Principal	Interest	Total
2009	\$ 246,568	62,916	309,484
2010	254,704	54,780	309,484
2011	263,110	46,374	309,484
2012	271,792	37,692	309,484
2013	280,764	28,720	309,484
2014 -2015	<u>589,622</u>	<u>29,344</u>	<u>618,966</u>
Total	<u>\$ 1,906,560</u>	<u>259,826</u>	<u>2,166,386</u>

This debt will be retired from the 3 Mil 04 Fund.

B. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenues shortfall note, Series 2007	5.91%	10/11/2007	10/13/2010	\$ <u>377,000</u>	<u>377,000</u>
Total				<u>\$ 377,000</u>	<u>377,000</u>

Details of the district's June 30, 2008 shortfall notes payable are as follows:

Shortfall notes payable were issued 10/11/2007.

Year Ending June 30	Principal	Interest	Total
2009	\$ 118,000	22,281	140,281
2010	126,000	15,307	141,307
2011	<u>133,000</u>	<u>7,860</u>	<u>140,860</u>
Total	<u>\$ 377,000</u>	<u>45,448</u>	<u>422,448</u>

This debt will be retired from the District Maintenance Fund

C. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under capital lease	4.00%	7/3/2003	7/13/2015	\$ <u>1,248,925</u>	<u>827,102</u>
Total				<u>\$ 1,248,925</u>	<u>827,102</u>

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

Details of the district's June 30, 2008 energy efficiency lease payable are as follows:

Obligations under energy efficiency lease were issued 7/3/2003.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2009	\$ 95,617	28,744	124,361
2010	108,380	27,287	135,667
2011	112,795	22,871	135,666
2012	117,391	18,276	135,667
2013	122,173	13,493	135,666
2014 – 2016	270,746	11,893	282,639
Total	<u>\$ 827,102</u>	<u>122,564</u>	<u>949,666</u>

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated July 3, 2003, was executed by and between the district, the lessee, and LaSalle Bank National Association, the lessor.

The agreement authorized the borrowing of \$1,248,925 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

D. Other loans payable.

The school district has issued debt instruments granted under the authority of Asbestos School hazard Abatement Act of 1984.

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos abatement loan	0.00%	5/1/1989	11/1/2008	\$ 242,888	6,747
Total				<u>\$ 242,888</u>	<u>6,747</u>

Other loans payable were issued on 5/1/1989.

Year Ending June 30	Principal	Interest	Total
2009	\$ 6,747		\$ 6,747
Total	<u>\$ 6,747</u>		<u>\$ 6,747</u>

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable.

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

(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 employer's rate for fiscal year ended 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 \$1,799,807, \$1,620,670 and \$1,482,739, respectively, which equaled the required contributions for each year.

(7) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Restatement of prior year balance to agree to confirmed balances and debt schedule.	\$ 7,817
2. Correction of prior year fiduciary amount included in governmental funds.	204
Total	\$ 8,021

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Fund</u>	<u>Explanation</u>	<u>Amount</u>
Other Governmental Funds	Correction of prior year fiduciary amount included in governmental funds.	\$ (204)
Total		\$ (204)

(8) Contingencies.

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

**Litigation** – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

(9) 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.

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. The district has not had an additional assessment for excess losses incurred by the pool.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Budgetary Comparison Schedule General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 5,600,933	5,600,933	4,717,813		(883,120)
State sources	15,912,802	15,912,802	15,650,400		(262,402)
Federal sources	455,000	455,000	960,103		505,103
<b>Total revenues</b>	<u>21,968,735</u>	<u>21,968,735</u>	<u>21,328,316</u>		<u>(640,419)</u>
<b>Expenditures</b>					
Instruction	13,149,585	13,412,728	13,256,677	(263,143)	156,051
Support services	8,219,064	9,528,534	8,623,712	(1,309,470)	904,822
Noninstructional services	254,875	271,775	179,402	(16,900)	92,373
Facilities acquisition and construction	3,712,950	3,172,925	2,949,032	540,025	223,893
Debt Service:					
Principal	149,161	149,161	105,020		44,141
Interest			32,835		(32,835)
<b>Total expenditures</b>	<u>25,485,635</u>	<u>26,535,123</u>	<u>25,146,678</u>	<u>(1,049,488)</u>	<u>1,388,445</u>
Excess (deficiency) of revenues over expenditures	<u>(3,516,900)</u>	<u>(4,566,388)</u>	<u>(3,818,362)</u>	<u>(1,049,488)</u>	<u>748,026</u>
<b>Other Financing Sources (Uses)</b>					
Interest earnings			526,854		526,854
Insurance loss recoveries			7,530		7,530
Operating transfers in	888,078	888,078	-		(888,078)
Operating transfers out	(1,174,441)	(1,424,441)	(294,128)	(250,000)	1,130,313
<b>Total other financing sources and uses</b>	<u>(286,363)</u>	<u>(536,363)</u>	<u>240,256</u>	<u>(250,000)</u>	<u>776,619</u>
<b>Net change in fund balances</b>	<u>(3,803,263)</u>	<u>(5,102,751)</u>	<u>(3,578,106)</u>	<u>(1,299,488)</u>	<u>1,524,645</u>
<b>Fund balances:</b>					
July 1, 2007, as previously reported	9,858,689	9,858,689	10,313,395		454,706
Prior period adj. & reclassifications					
July 1, 2007, as restated	<u>9,858,689</u>	<u>9,858,689</u>	<u>10,313,395</u>		<u>454,706</u>
<b>June 30, 2008</b>	<u>\$ 6,055,426</u>	<u>4,755,938</u>	<u>6,735,289</u>	<u>(1,299,488)</u>	<u>1,979,351</u>

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Budgetary Comparison Schedule Title I Fund**  
**for the Year Ended June 30, 2008**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$				
State sources					
Federal sources	581,494	715,675	661,868	134,181	(53,807)
Total revenues	581,494	715,675	661,868	134,181	(53,807)
Expenditures					
Instruction	213,504	335,945	314,345	(122,441)	21,600
Support services	317,224	329,380	310,977	(12,156)	18,403
Noninstructional services	50,766	50,350	36,546	416	13,804
Total expenditures	581,494	715,675	661,868	(134,181)	53,807
Excess (deficiency) of revenues over expenditures					
Net change in fund balances					
Fund balances:					
July 1, 2007					
June 30, 2008	\$				

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

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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 and the actual data.

(2) Budget Amendments and Revisions.

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

**SUPPLEMENTARY INFORMATION**

**TISHOMINGO SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	CFDA Number	Total Federal Awards Expended
<b><u>U.S. Department of Education</u></b>		
Pass-Through Program From:		
Mississippi Department of Education:		
Special Education-Grants to States	84.027	\$ 830,961
Special Education-Preschool Grants	84.173	27,922
Sub-Total Special Education Cluster		858,883
Title I Grants to Local Educational Agencies	84.010	661,868
Career and Technical Education-Basic Grants to States	84.048	33,156
Safe and Drug-Free Schools and Communities-State Grants	84.186	14,919
Twenty First Century Community Learning Centers	84.287	116,663
English Language Acquisition	84.365	4,794
State Grants for Innovative Programs	84.298	5,617
Rural Education	84.358	115,534
Improving Teacher Quality State Grants	84.367	194,333
Grants for State Assessments and Related Activities	84.369	19,183
<b>Total passed through the Mississippi Department of Education</b>		2,024,950
<b>Total U.S. Department of Education</b>		2,024,950
<b><u>U.S. Department of Agriculture</u></b>		
Pass-Through Program From:		
Mississippi Department of Education:		
School Breakfast Program	10.553	248,537
National School Lunch Program	10.555	830,922
Summer Food Service	10.559	19,888
Sub-Total Child Nutrition Cluster		1,099,347
Child and Adult Care Food Program	10.558	14,024
<b>Total passed through the Mississippi Department of Education</b>		1,113,371
<b>Total U.S. Department of Agriculture</b>		1,113,371
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	59,625
<b>Total Federal Communications Commission</b>		59,625

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

**TISHOMINGO SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

<b>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Total Federal Awards Expended</b>
<b><u>U.S. Department of Health and Human Services</u></b>		
Pass-Through Program From:		
Mississippi Department of Human Services		
Temporary Assistance for Needy Families	93.558	<u>161,393</u>
<b>Total passed through Mississippi Department of Human Services</b>		<u>161,393</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>161,393</u>
<b>Total Federal Awards</b>		<b>\$ <u>3,359,339</u></b>

**NOTES TO SCHEDULE**

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

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2008**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	20,495,624	16,036,748	587,599	1,422,246	2,439,031
Other	10,515,083	1,388,627	137,488	85,584	8,903,384
<b>Total</b>	<b>\$ 31,010,707</b>	<b>17,425,375</b>	<b>735,087</b>	<b>1,507,830</b>	<b>11,342,415</b>
 Total number of students *	 3,091				
 Cost per student \$	 10,033	 5,637	 238	 488	 3,669

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

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

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

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

**Other** - includes all expenditure functions not included in Instruction or Administrative Categories.

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

**OTHER SUPPLEMENTAL INFORMATION**

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund Last Four Years**

"Unaudited"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 4,717,813	5,091,996	5,008,937	4,773,950
State sources	15,650,400	14,485,805	13,949,056	12,613,088
Federal sources	960,103	881,027	773,539	756,441
<b>Total Revenues</b>	<u>21,328,316</u>	<u>20,458,828</u>	<u>19,731,532</u>	<u>18,143,479</u>
<b>Expenditures:</b>				
Instruction	13,256,677	12,434,254	11,643,402	10,728,821
Support services	7,940,353	6,484,669	6,049,392	5,787,621
Noninstructional services	179,402	192,810	191,602	197,674
Facilities acquisition and construction	3,632,390	2,545,845	619,079	187,618
Debt service:				
Principal	105,703	118,172	98,340	102,529
Interest	32,153	42,294	50,821	46,632
<b>Total Expenditures</b>	<u>25,146,678</u>	<u>21,818,044</u>	<u>18,652,636</u>	<u>17,051,095</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(3,818,362)</u>	<u>(1,359,216)</u>	<u>1,078,896</u>	<u>1,092,384</u>
<b>Other Financing Sources (Uses):</b>				
Investment earnings	526,854			
Sale of capital asset				11,089
Sale of transportation equipment		5,511		
Sale of other property		1,809		
Insurance Loss Recoveries	7,530	18,123	5,849	6,360
Operating transfers in			4,269,754	
Operating transfers out	(294,126)	(206,414)	(4,609,859)	(420,182)
<b>Total Other Financing Sources (Uses)</b>	<u>240,256</u>	<u>(180,971)</u>	<u>(314,256)</u>	<u>(402,733)</u>
<b>Net Change in Fund Balances</b>	<u>(3,578,106)</u>	<u>(1,540,187)</u>	<u>764,640</u>	<u>689,651</u>
<b>Fund Balances:</b>				
July 1,	10,313,395	11,848,590	11,083,950	10,394,299
Prior period adjustments		4,992		
July 1, as restated	<u>10,313,395</u>	<u>11,853,582</u>	<u>11,083,950</u>	<u>10,394,299</u>
June 30,	<u>\$ 6,735,289</u>	<u>10,313,395</u>	<u>11,848,590</u>	<u>11,083,950</u>

\*SOURCE - Prior year audit reports

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**All Governmental Funds Last Four Years**

"Unaudited"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 5,701,707	5,956,149	5,935,481	5,728,920
State sources	18,957,065	15,796,433	15,221,248	13,714,155
Federal sources	4,225,201	3,842,279	3,650,277	3,699,570
<b>Total Revenues</b>	<b>26,883,973</b>	<b>25,594,861</b>	<b>24,807,006</b>	<b>23,142,645</b>
<b>Expenditures:</b>				
Instruction:	15,563,103	14,571,044	13,989,947	13,065,328
Support services	9,321,867	7,662,320	6,975,447	6,947,071
Noninstructional services	2,046,007	1,951,133	1,981,176	1,815,193
Sixteenth section				
Facilities acquisition and construction	3,632,390	2,721,287	1,936,124	1,411,392
Debt service:				
Principal	344,394	349,238	322,024	240,679
Interest	102,946	120,712	136,903	53,873
Other		878		
<b>Total Expenditures</b>	<b>31,010,707</b>	<b>27,378,612</b>	<b>25,341,621</b>	<b>23,533,536</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(4,126,734)</b>	<b>(1,781,751)</b>	<b>(534,615)</b>	<b>(390,891)</b>
<b>Other Financing Sources (Uses):</b>				
Interest earnings	598,581			
Proceeds of capital debt				2,600,000
Inception of capital leases		377,000		
Insurance loss recoveries	7,530	18,123	5,849	6,360
Sale of capital asset				11,089
Sale of transportation equipment		5,511		
Sale of other property		1,809		
Operating transfers in	296,090	212,144	4,614,456	420,182
Other financing sources				
Operating transfers out	(296,090)	(212,144)	(4,614,456)	(420,182)
<b>Total Other Financing Sources (Uses)</b>	<b>606,111</b>	<b>402,443</b>	<b>5,849</b>	<b>2,617,449</b>
<b>Net Change in Fund Balances</b>	<b>(3,520,623)</b>	<b>(1,379,308)</b>	<b>(528,766)</b>	<b>2,226,558</b>
<b>Fund Balances:</b>				
July 1,	12,753,084	14,143,029	14,654,132	12,434,529
Prior period adjustments	(204)	(14,957)		
July 1, as restated	12,752,880	14,128,072	14,654,132	12,434,529
<b>Increase (Decrease) in reserve for inventory</b>	<b>(25,062)</b>	<b>4,320</b>	<b>17,663</b>	<b>(6,955)</b>
<b>June 30,</b>	<b>\$ 9,207,195</b>	<b>12,753,084</b>	<b>14,143,029</b>	<b>14,654,132</b>

\*SOURCE - Prior year audit report

**INTERNAL CONTROL AND COMPLIANCE REPORTS**

**INDEPENDENT AUDITORS' 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  
Tishomingo County Special Municipal School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2008, which collectively comprise Tishomingo County Special Municipal Separate School District's basic financial statements and have issued our report thereon dated August 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the 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 a certain deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated August 7, 2009, which is included in this report.

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

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



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
August 7, 2009

**INDEPENDENT AUDITORS' 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  
Tishomingo County Special Municipal Separate School District

Compliance

We have audited the compliance of the Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District's major federal programs are identified in the summary of auditors' 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 Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate 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, Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

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



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
August 7, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

Superintendent and School Board  
Tishomingo County Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2008, which collectively comprise Tishomingo County Special Municipal Separate School District's basic financial statements and have issued our report thereon dated August 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$18,219.45 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 following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. Ad Valorem Tax Limitations Should Be Advertised Properly

Finding

Section 27-39-207, Miss. Code Ann. (1972), states "Notice of Tax Increase" shall be published by a school district in order to collect any increase other than increases due to new property coming on the tax rolls. If the district publishes the "Notice" appropriately, the district can request up to a 4% tax increase and claim any increase as a result of new programs.

During our test of limitations of ad valorem taxes, we discovered the district did not publish the "Notice" as required and therefore was not allowed to request and collect any increase in ad valorem taxes other than new property assessments. The district did not take into consideration the 4% tax increase when calculating their Ad Valorem tax request.

Recommendation

We recommend that the district comply with Section 27-39-207, Miss. Code Ann. (1972) and properly advertise the "Notice of Tax Increase".

Response

We will comply.

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

The Tishomingo County Special Municipal Separate School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
August 7, 2009

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SPECIAL SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2008**

**Section 1: Summary of Auditors' Results**

*Financial Statements:*

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditors' report issued:   | Unqualified |
| 2. | Internal control over financial reporting:   |             |
|    | a. Material weakness(es) identified?   | Yes         |
|    | b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No          |
| 3. | Noncompliance material to financial statements noted?  | No          |

*Federal Awards:*

- |     |   |             |
|-----|---|-------------|
| 4.  | Internal control over major programs:   |             |
|     | a. Material weakness(es) identified?  | No          |
|     | b. Significant deficiency(ies) identified that are not Considered to be material weakness(es)?  | No          |
| 5.  | Any findings disclosed that are required to be Reported in accordance with Section 510(a) of Circular A-133?  | No          |
| 6.  | Type of auditors' report issued on compliance for Major federal programs:   | Unqualified |
| 7.  | Identification of major programs::  |             |
|     | a. Title I Grants to Local Educational Agencies<br>CFDA# 84.010   |             |
|     | b. Child Nutrition Cluster<br>CFDA# 10.553 School Breakfast Program<br>CFDA# 10.555 National School Lunch Program<br>CFDA# 10.559 Summer Food Service   |             |
|     | c. Special Education Cluster<br>CFDA# 84.027 Special Education (IDEA) – Grants to States<br>CFDA# 84.173 Special Education (IDEA) – Preschool Grants  |             |
| 8.  | The dollar threshold used to distinguish between Type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as low-risk auditee?  | No          |
| 10. | Prior year audit findings and questioned cost relative to federal awards which would required the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133? | No          |

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SPECIAL SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2008**

**Section 2: Financial Statement Findings**

**2008-1 Significant Deficiency – Material Weakness**

Criteria: Strong internal controls should be in place to ensure accurate and complete preparation and reporting of the district's financial statements. Section 37-37-1 Miss. Code Ann. (1972), requires all school districts to install, utilize, and follow a uniform accounting system prescribed and formulated by the State Department of Education. This system, including GASB 34 financial statement presentation, is prescribed in the Financial Accounting Manual for Mississippi Public Schools.

Condition: The district lacks proper internal controls to ensure the proper presentation of GASB 34 financial statements.

Effect: Inadequate internal controls related to financial statement reporting could result in inaccurate revenue and expenditure recognition.

Cause: These deficiencies occurred due to inadequate internal controls surrounding the preparation of the school district's financial statements.

Recommendation: We highly recommend that the district establish controls and reporting procedures to insure the GASB 34 financial statements are properly prepared.

Response: We concur with the recommendation.

**Section 3: Federal Award Findings and Questioned Costs**

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