

CHICKASAW COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

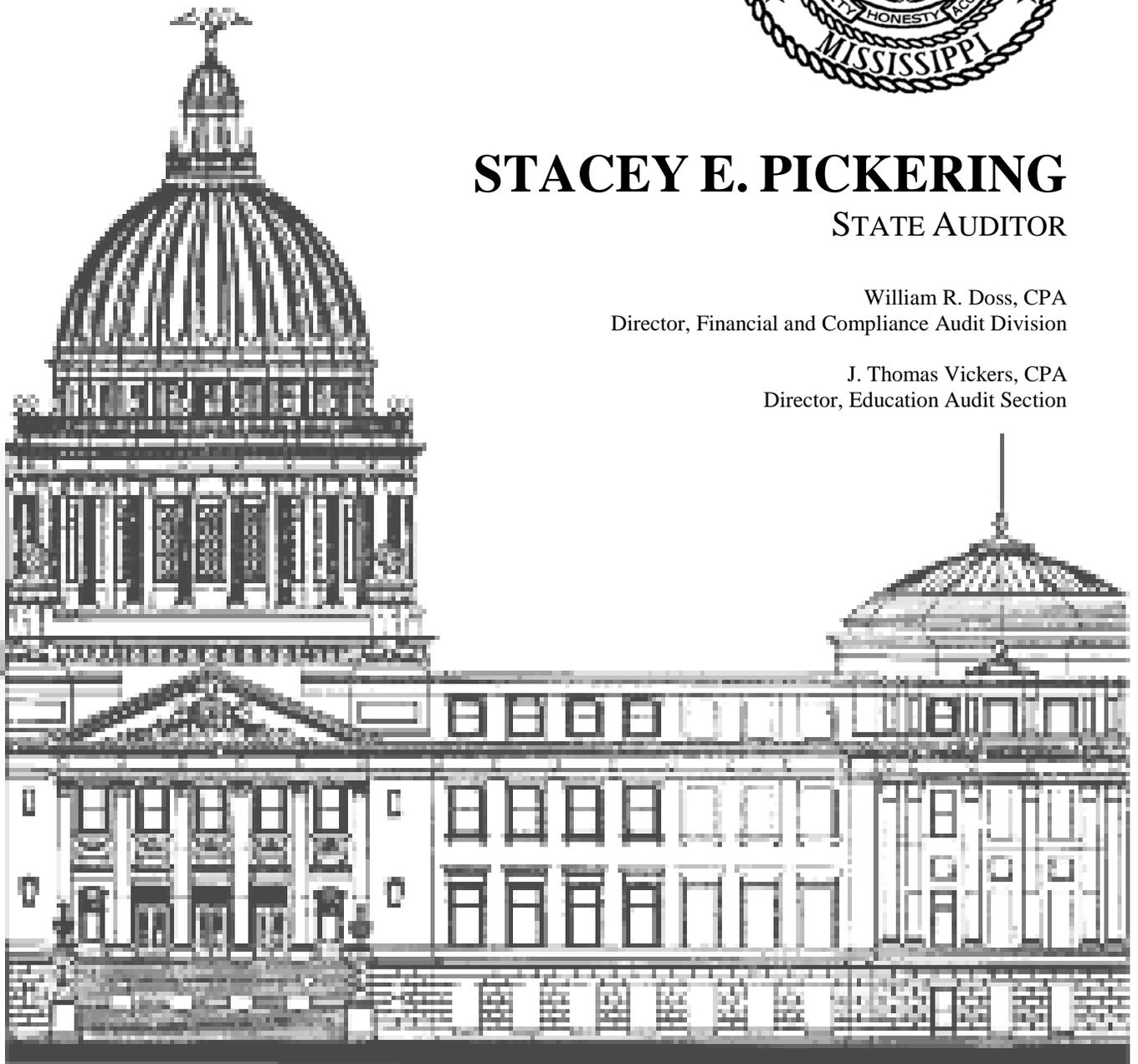


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

J. Thomas Vickers, CPA
Director, Education Audit Section



A Report from the Education Audit Section

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CHICKASAW COUNTY SCHOOL DISTRICT

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CHICKASAW COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

CHICKASAW COUNTY SCHOOL DISTRICT

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Chickasaw County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, on our consideration of the Chickasaw County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 44 are not a required part of the basic financial statements but are supplemental 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 supplemental 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 Chickasaw County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 2, 2009

CHICKASAW COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHICKASAW COUNTY SCHOOL DISTRICT

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

The discussion and analysis of Chickasaw County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2008 decreased \$90,425, including a prior period adjustment of \$(95,601), which represents a 3.63% decrease from fiscal year 2007. Total net assets for 2007 decreased \$141,254, including a prior period adjustment of \$99, which represents a 5.36% decrease from fiscal year 2006.
- General revenues amounted to \$3,504,563 and \$3,294,148, or 77.59% and 78.77% of all revenues for fiscal years 2008 and 2007, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,012,059, or 22.41% of total revenues for 2008 and \$887,767, or 21.23% of total revenues for 2007.
- The District had \$4,511,446 and \$4,323,268 in expenses for fiscal years 2008 and 2007; only \$1,012,059 for 2008 and \$887,767 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$3,504,563 for 2008 and \$3,294,148 for 2007 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,557,607 in revenues and \$3,534,701 in expenditures for 2008 and \$3,286,703 in revenues and \$3,318,162 in expenditures in 2007. The General Fund's fund balance increased by \$16,434 from 2007 to 2008 and decreased \$238,406 from 2006 to 2007.
- Capital assets, net of accumulated depreciation, increased by \$8,278 for 2008 and decreased by \$73,015 for 2007. The increase for 2008 was due to the addition of construction in progress and mobile equipment.
- Long-term debt decreased by \$6,149 for 2008 and increased by \$258,487 for 2007. This decrease was due to the annual payment on long-term debt outstanding. In addition, the liability for compensated absences decreased \$121 for 2008 and decreased by \$1,454 for 2007.

OVERVIEW OF THE 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 supplemental information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund's balance sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental 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 major special revenue fund.

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Also, included in the other supplemental information section are 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,

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

All Governmental Funds, Last Four Years.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,401,410 as of June 30, 2008.

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.

Table 1 presents a summary of the District's net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

Table 1
Condensed Statement of Net Assets

	June 30, 2008	June 30, 2007	Percentage Change
Assets:			
Current assets	\$ 1,232,420	1,319,515	(6.60)%
Capital assets, net	2,349,279	2,341,001	0.35%
Total assets	<u>3,581,699</u>	<u>3,660,516</u>	(2.15)%
Liabilities:			
Current liabilities	74,704	56,826	31.46%
Long-term debt outstanding	1,105,585	1,111,855	(0.56)%
Total liabilities	<u>1,180,289</u>	<u>1,168,681</u>	0.99%
Net assets:			
Invested in capital assets, net of related debt	1,378,400	1,617,891	(14.80)%
Restricted	558,428	292,826	90.70%
Unrestricted	464,582	581,118	(20.05)%
Total net assets	<u>\$ 2,401,410</u>	<u>2,491,835</u>	(3.63)%

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

- Increase in net capital assets in the amount of \$8,278.
- The principal retirement of \$128,270 of long-term debt and a new energy efficiency lease of \$122,000 for a net change in debt of \$6,270.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were \$4,516,622 and \$4,181,915, respectively. The total cost of all programs and services for 2008 was \$4,511,446 and \$4,323,268 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

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

Table 2
Changes in Net Assets

	Year Ended June 30, 2008	Year Ended June 30, 2007	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 200,525	155,760	28.74%
Operating grants and contributions	795,124	715,592	11.11%
Capital Grants and Contributions	16,410	16,415	(0.03)%
General revenues:			
Property taxes	544,324	543,510	0.15%
Grants and contributions not restricted	2,916,193	2,687,523	8.51%
Investment earnings	44,046	51,654	(14.73)%
Other	<u>11,461</u>	<u>11,461</u>	(100.00)%
Total revenues	<u>4,516,622</u>	<u>4,181,915</u>	8.00%
Expenses:			
Instruction	2,586,504	2,490,875	3.84%
Support services	1,523,722	1,444,818	5.46%
Non-instructional	348,402	347,487	0.26%
Interest and other expense on long-term liabilities	<u>52,818</u>	<u>40,088</u>	31.76%
Total expenses	<u>4,511,446</u>	<u>4,323,268</u>	4.35%
Increase (Decrease) in net assets	<u>5,176</u>	<u>(141,353)</u>	(103.66)%
Net Assets, July 1	2,491,835	2,633,089	(5.36)%
Prior Period Adjustment(s)	<u>(95,601)</u>	<u>99</u>	(96,666.67)%
Net Assets Restated, July 1	<u>2,396,234</u>	<u>2,633,188</u>	(9.00)%
Net Assets, June 30	<u>\$ 2,401,410</u>	<u>2,491,835</u>	(3.63)%

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2008	2007	
Instruction	\$ 2,586,504	2,490,875	3.84%
Support services	1,523,722	1,444,818	5.46%
Non-instructional	348,402	347,487	0.26%
Interest on long-term debt	<u>52,818</u>	<u>40,088</u>	31.76%
Net expenses	\$ <u>4,511,446</u>	<u>4,323,268</u>	4.35%

	Net (Expense) Revenue		Percentage Change
	2008	2007	
Instruction	\$ (2,132,271)	(2,109,209)	1.09%
Support services	(1,335,112)	(1,261,534)	5.83%
Non-instructional	20,814	(24,670)	(184.37)%
Interest on long-term debt	<u>(52,818)</u>	<u>(40,088)</u>	31.76%
Total Net (Expense) Revenue	\$ <u>(3,499,387)</u>	<u>(3,435,501)</u>	1.86%

- Net cost of governmental activities, (\$3,499,387 and \$3,435,501) was financed by general revenue, which is made up of primarily property taxes of (\$544,324 for 2008 and \$543,510 for 2007) and state and federal revenues of (\$2,916,193 for 2008 and \$2,687,523 for 2007).
- Investment earnings accounted for \$44,046 for 2008 and \$51,654 for 2007 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,174,712, a decrease of \$106,232, which includes the prior period adjustment of \$(8,141) and the increase in inventory of \$13,147. \$599,684 or 51.05% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$575,028 or 48.95% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$16,434. The fund balance of Other Governmental Funds showed a decrease in the amount of \$65,825, which includes a prior period adjustment of \$(8,141) and increase in reserve for inventory of \$13,147. The other increases (decreases) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Extended School Year Fund	\$ 396
Title I Fund	no increase or decrease
Renovation 1935 Building Fund	\$ (57,237)

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the school district.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each major special revenue fund is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$3,537,309, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$178,523 from 2007 to 2008. Total accumulated depreciation as of June 30, 2008, was \$1,188,030 and total depreciation expense for the year was \$90,784, resulting in total net assets of \$2,349,279.

**Table 4
Capital Assets**

	Capital Assets, Net of Depreciation		Percentage Change
	June 30, 2008	June 30, 2007	
Land	\$ 50,576	50,576	0.00%
Construction in Progress	136,400	15,372	787.33%
Buildings	1,120,921	1,226,585	(8.61)%
Building improvements	863,456	905,876	(4.68)%
Mobile equipment	120,674	76,817	57.09%
Furniture and equipment	30,027	38,550	(22.11)%
Leased property under capital leases	27,225	27,225	0.00%
Total	\$ 2,349,279	2,341,001	0.35%

Debt Administration. At June 30, 2008, the District had \$1,105,585 in long-term debt outstanding, of which \$94,857 is due within one year. The liability for compensated absences at June 30, 2008 was \$21,578, a decrease of \$121 from the prior year.

The District does not have an underlying bond rating.

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

Table 5
Outstanding Long-Term Debt

	Outstanding Long-term debt		Percentage Change
	June 30, 2008	June 30, 2007	
Limited obligation bonds payable	\$ 650,000	695,000	(6.47)%
Three Mill Note Payable	305,500	372,500	(17.99)%
Obligations under capital leases	15,379	22,656	(32.12)%
Obligations under energy efficiency leases	113,128	0	
Compensated absences payable	21,578	21,699	(0.56)%
Total	\$ 1,105,585	1,111,855	(0.56)%

Additional information on the district's long-term debt can be found in this report.

CURRENT ISSUES

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

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

The District actively pursues grant funding to supplement the local, state and federal revenue.

Enrollment for the 2007-2008 year increased by 5.20% to 526 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Chickasaw County School District, P.O. Box 480 or 501 Griffin Avenue, Houlka, MS 38850.

CHICKASAW COUNTY SCHOOL DISTRICT

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CHICKASAW COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

CHICKASAW COUNTY SCHOOL DISTRICT

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

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,050,468
Due from other governments	165,500
Other receivables, net	120
Inventories	16,332
Capital assets, non-depreciable:	
Land	50,576
Construction in progress	136,400
Capital assets, net of accumulated depreciation:	
Buildings	1,120,921
Building improvements	863,456
Mobile equipment	120,674
Furniture and equipment	30,027
Leased property under capital leases	<u>27,225</u>
 Total Assets	 <u>3,581,699</u>
Liabilities	
Accounts payable and accrued liabilities	57,708
Interest payable on long-term liabilities	16,996
Long-term liabilities, due within one year	
Capital related liabilities	85,048
Non-capital related liabilities	9,809
Long-term liabilities, due beyond one year	
Capital related liabilities	885,831
Non-capital related liabilities	<u>124,897</u>
 Total Liabilities	 <u>1,180,289</u>
Net Assets	
Invested in capital assets, net of related debt	1,378,400
Restricted net assets:	
Expendable:	
School-based activities	16,728
Debt service	47,607
Capital improvements	482,402
Unemployment benefits	11,691
Unrestricted	<u>464,582</u>
 Total Net Assets	 \$ <u><u>2,401,410</u></u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 2,586,504	120,603	317,220	16,410	(2,132,271)
Support services	1,523,722		188,610		(1,335,112)
Non-instructional	348,402	79,922	289,294		20,814
Interest on long-term liabilities	52,818				(52,818)
Total Governmental Activities	\$ 4,511,446	200,525	795,124	16,410	(3,499,387)
General Revenues:					
Taxes:					
					514,128
					30,196
Unrestricted grants and contributions:					
					2,794,005
					122,188
					44,046
					<u>3,504,563</u>
					5,176
					2,491,835
					<u>(95,601)</u>
					2,396,234
					\$ <u>2,401,410</u>

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

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

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Extended School Year Fund	Title I Fund	Renovation 1935 Building Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 535,431			303,859	211,178	1,050,468
Due from other governments	69,124	13,024	24,933	25,554	29,544	162,179
Other receivables, net	120					120
Due from other funds	51,708					51,708
Inventories					16,332	16,332
Total Assets	\$ 656,383	13,024	24,933	329,413	257,054	1,280,807
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,713		1,105	52,929	1,961	57,708
Due to other funds		12,628	23,828		11,931	48,387
Total Liabilities	1,713	12,628	24,933	52,929	13,892	106,095
Fund Balances:						
Reserved for:						
Inventory					16,332	16,332
Capital projects	55,382			276,484	150,536	482,402
Debt service					64,603	64,603
Unemployment benefits					11,691	11,691
Unreserved:						
Undesignated, reported in:						
General Fund	599,288					599,288
Special Revenue Funds		396				396
Total Fund Balances	654,670	396		276,484	243,162	1,174,712
Total Liabilities and Fund Balances	\$ 656,383	13,024	24,933	329,413	257,054	1,280,807

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,174,712
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,188,030.	2,349,279
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,105,585)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(16,996)</u>
Total Net Assets - Governmental Activities	\$ <u><u>2,401,410</u></u>

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

CHICKASAW COUNTY SCHOOL DISTRICT

Exhibit D

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	Extended School Year Fund	Title I Fund	Renovation 1935 Building Fund		
Revenues:						
Local sources	\$ 671,622		226	10,470	106,578	788,896
State sources	2,763,798	6,428		25,554	96,266	2,892,046
Federal sources	122,187		204,808		508,685	835,680
Total Revenues	<u>3,557,607</u>	<u>6,428</u>	<u>205,034</u>	<u>36,024</u>	<u>711,529</u>	<u>4,516,622</u>
Expenditures:						
Instruction	2,155,286	3,678	184,949		214,221	2,558,134
Support services	1,358,798	3,014	18,260		149,307	1,529,379
Noninstructional services	20,617		1,825		335,909	358,351
Facilities acquisition and construction				93,261	27,767	121,028
Debt service:						
Principal					128,149	128,149
Interest					54,077	54,077
Total Expenditures	<u>3,534,701</u>	<u>6,692</u>	<u>205,034</u>	<u>93,261</u>	<u>909,430</u>	<u>4,749,118</u>
Excess (Deficiency) of Revenues over Expenditures	<u>22,906</u>	<u>(264)</u>		<u>(57,237)</u>	<u>(197,901)</u>	<u>(232,496)</u>
Other Financing Sources (Uses):						
Inception of capital leases	122,000					122,000
Operating transfers in		660			145,203	145,863
Operating transfers out	(127,730)				(18,133)	(145,863)
Other financing uses	(742)					(742)
Total Other Financing Sources (Uses)	<u>(6,472)</u>	<u>660</u>			<u>127,070</u>	<u>121,258</u>
Net Change in Fund Balances	<u>16,434</u>	<u>396</u>		<u>(57,237)</u>	<u>(70,831)</u>	<u>(111,238)</u>
Fund Balances:						
July 1, 2007	638,236			333,721	308,987	1,280,944
Prior period adjustments					(8,141)	(8,141)
July 1, 2007, as restated	<u>638,236</u>			<u>333,721</u>	<u>300,846</u>	<u>1,272,803</u>
Increase in reserve for inventory					13,147	13,147
June 30, 2008	\$ <u>654,670</u>	<u>396</u>		<u>276,484</u>	<u>243,162</u>	<u>1,174,712</u>

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (111,238)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased and construction in progress amounted to \$186,603 and the depreciation expense amounted to \$90,784.	95,819
2. 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.	128,149
3. 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.	1,259
4. 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.	(81)
5. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	13,147
6. The issuance of long term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities on the Statement of Net Assets.	(122,000)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>121</u>
Change in Net Assets of Governmental Activities	\$ <u><u>5,176</u></u>

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

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

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>251,610</u>
Total Assets	\$ <u><u>251,610</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 229,601
Due to other funds	3,321
Due to student clubs	<u>18,688</u>
Total Liabilities	\$ <u><u>251,610</u></u>

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

CHICKASAW COUNTY SCHOOL DISTRICT

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CHICKASAW COUNTY SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

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

CHICKASAW COUNTY SCHOOL DISTRICT

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

CHICKASAW COUNTY SCHOOL DISTRICT

Notes to the 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 are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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.

Extended School Year Fund – This is the fund used to account for the revenues and expenditures for the District's instructional program that occur after the regular school year has ended.

Title I Fund – This is the fund used to account for the revenue and expenditures associated with the District's Title I Program. This program is funded by federal funds that are used to supplement the regular instructional programs.

Renovation 1935 Building Fund – This is the fund used to account for the revenues and expenditures associated with the District's renovation of the 1935 Houlka School Building. These funds are derived from local sources and are used to match other non-local funds.

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

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

FIDUCIARY FUNDS

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

CHICKASAW COUNTY SCHOOL DISTRICT

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

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

The effect of interfund activity has been eliminated from the government-wide statements. Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

D. Account Classifications.

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

E. Encumbrances.

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

CHICKASAW COUNTY SCHOOL DISTRICT

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

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.

Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have 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 assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section

CHICKASAW COUNTY SCHOOL DISTRICT

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

Principal fund is not available for use by the District except as provided for under state statute for loans from this account.

CHICKASAW COUNTY SCHOOL DISTRICT

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

6. Capital Assets.

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

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

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds.

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

(*) The threshold 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. A greater amount may be provided by School District policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95 Miss. Code Ann. (1972). Some employees are allowed personal leave and/or vacation leave in accordance with School District policy. The District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

CHICKASAW COUNTY SCHOOL DISTRICT

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

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.

CHICKASAW COUNTY SCHOOL DISTRICT

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

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.

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

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

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

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

(2) Cash and Cash Equivalents.

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

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

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,050,468 and \$251,610, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$1,050,468. The bank balance was \$1,481,985.

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

CHICKASAW COUNTY SCHOOL DISTRICT

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

the district.

CHICKASAW COUNTY SCHOOL DISTRICT

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

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Extended School Year Fund	\$ 12,628
General Fund	Title I Fund	23,828
General Fund	Other governmental funds	11,931
General Fund	Fiduciary funds	<u>3,321</u>
Total		\$ <u>51,708</u>

The purpose of the interfund loans was to cover federal funds not received prior to year-end and to show the interest that was due from the District's fiduciary funds.

B. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Extended School Year Fund	\$ 660
General Fund	Other governmental funds	127,070
Other governmental funds	Other governmental funds	<u>18,133</u>
Total		4 <u>145,863</u>

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

CHICKASAW COUNTY SCHOOL DISTRICT

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

(4) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments*	Balance 6-30-2008
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 50,576					50,576
Construction in progress	15,372	121,028				136,400
Total non-depreciable capital assets	65,948	121,028	0	0	0	186,976
<u>Depreciable capital assets:</u>						
Buildings	1,726,926					1,726,926
Building improvements	993,398					993,398
Mobile equipment	341,356	65,575				406,931
Furniture and equipment	181,658		8,080			173,578
Leased property under capital lease	49,500					49,500
Total depreciable capital assets	3,292,838	65,575	8,080	0	0	3,350,333
<u>Less accumulated depreciation for:</u>						
Buildings	500,342	27,965			77,698	606,005
Building improvements	87,522	39,736			2,684	129,942
Mobile equipment	264,539	10,379			11,339	286,257
Furniture and equipment	143,107	8,249	7,999		194	143,551
Leased property under capital lease	22,275	4,455			(4,455)	22,275
	1,017,785	90,784	7,999	0	87,460	1,188,030
Total depreciable capital assets, net	2,275,053	(25,209)	81	0	(87,460)	2,162,303
Governmental activities capital assets, net	\$ 2,341,001	95,819	81	0	(87,460)	2,349,279

*Adjustments were made to correct prior year errors in calculating depreciation.

Depreciation expense was charged to the following governmental functions:

	Amount
<u>Governmental activities:</u>	
Instruction	\$ 28,491
Support services	59,095
Non-instructional	3,198
Total Depreciation Expense	\$ 90,784

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

	Spent to June 30, 2008	Remaining Commitment
Governmental Activities		
1935 Houlka School Renovation	\$ 136,400	482,402

CHICKASAW COUNTY SCHOOL DISTRICT

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

Total	\$	<u>136,400</u>	<u>482,402</u>
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Construction projects included in governmental activities are funded with a grant from the Mississippi Department of Archives and History and district matching funds.

CHICKASAW COUNTY SCHOOL DISTRICT

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

(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 within one year
A. Limited obligation bonds payable	\$ 695,000		45,000		650,000	45,000
B. Three mill notes payable	372,500		67,000		305,500	32,500
C. Obligations under capital lease	22,656		7,277		15,379	7,548
D. Obligations under energy efficiency lease		122,000	8,872		113,128	9,809
E. Compensated absences payable	21,699		121		21,578	
Total	\$ 1,111,855	122,000	128,270	0	1,105,585	94,857

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	5.00%	03-01-1998	02-01-2018	\$ 915,000	650,000
Total				\$ 915,000	650,000

Details of the district's June 30, 2008 limited obligation bonds indebtedness are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 45,000	31,375	76,375
2010	50,000	29,000	79,000
2011	50,000	26,500	76,500
2012	55,000	23,875	78,875
2013	55,000	21,125	76,125
2014 – 2018	395,000	59,625	454,625
Total	\$ 650,000	191,500	841,500

This debt will be retired from the MAEP Bond Issue Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972).

CHICKASAW COUNTY SCHOOL DISTRICT

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

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, series 1999	4.74%	04-01-1999	04-01-2009	\$ 40,000	4,500
Limited tax note, series 2007	3.99%	05-01-2007	05-01-2018	\$ 329,000	301,000
Total				\$ 369,000	305,500

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

1. Three mill notes payable issued April 1, 1999

Year Ending June 30	Principal	Interest	Total
2009	\$ 4,500	830	5,330
Total	\$ 4,500	830	5,330

This debt will be retired from the Three Mill Note Levy Fund.

2. Three mill notes payable issued May 1, 2007

Year Ending June 30	Principal	Interest	Total
2009	\$ 28,000	12,010	40,010
2010	33,000	10,893	43,893
2011	35,000	9,576	44,576
2012	36,000	8,180	44,180
2013	29,000	6,743	35,743
2014 – 2018	140,000	16,519	156,519
Total	\$ 301,000	63,921	364,921

This debt will be retired from the Three Mill Note Levy Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2009	\$ 32,500	12,840	45,340
2010	33,000	10,893	43,893
2011	35,000	9,576	44,576
2012	36,000	8,180	44,180
2013	29,000	6,743	35,743

CHICKASAW COUNTY SCHOOL DISTRICT

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

2014 – 2018	<u>140,000</u>	<u>16,519</u>	<u>156,519</u>
Total	<u>\$ 305,500</u>	<u>64,751</u>	<u>370,251</u>

CHICKASAW COUNTY SCHOOL DISTRICT

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

C. Obligations under capital leases.

The School District has entered into a lease agreement as lessee for financing the acquisition of a school bus at a cost of \$49,500. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
School bus capital lease	3.70%	06-03-2003	03-10-2010	\$ 49,500	15,379
Total				\$ 49,500	15,379

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 7,548	500	8,048
2010	7,831	217	8,048
Total	\$ 15,379	717	16,096

The School District uses the effective interest method of amortization for the lease payments on this lease.

This debt will be retired from the Master Lease Debt Repayment Fund.

D. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
District wide lighting project	5.49%	07-31-2007	04-10-2017	\$ 122,000	113,128
Total				\$ 122,000	113,128

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 9,809	5,946	15,755
2010	10,355	5,400	15,755
2011	10,932	4,823	15,755
2012	11,540	4,215	15,755
2013	12,182	3,573	15,755
2014 – 2018	58,310	7,123	65,433
Total	\$ 113,128	31,080	144,208

CHICKASAW COUNTY SCHOOL DISTRICT

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

This debt will be retired from the Master Lease Debt Repayment Fund.

An energy efficiency lease agreement dated July 31, 2007, was executed by and between the district, the lessee, and First Southwest Leasing, the lessor.

CHICKASAW COUNTY SCHOOL DISTRICT

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

The agreement authorized the borrowing of \$122,000 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 Master Lease Debt Repayment 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.

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) Other Commitments.

Commitments under construction contracts are described in Note 4.

The School District has three operating leases for copiers.

Lease expenditures for the year ended June 30, 2008, amounted to \$22,796. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2009	\$ 27,355
2010	27,355
2011	27,355
2012	27,355
2013	<u>4,559</u>
Total	<u>\$ 113,979</u>

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The 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 \$297,232, \$269,833 and \$247,935 respectively, which equaled the required contributions for each year.

CHICKASAW COUNTY SCHOOL DISTRICT

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

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. To correct the depreciation on capital assets	\$ (87,460)
2. To reclassify fund equity	(8,141)
Total	\$ <u><u>(95,601)</u></u>

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
Other governmental funds	To reclassify fund equity	\$ (8,141)
	Total	\$ <u><u>(8,141)</u></u>

(9) Contingencies.

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

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The School District is a member of the Mississippi 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.

CHICKASAW COUNTY SCHOOL DISTRICT

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CHICKASAW COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

CHICKASAW COUNTY SCHOOL DISTRICT

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CHICKASAW COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variance Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 643,019	671,622	671,622	28,603	
State sources	2,822,684	2,763,798	2,763,798	(58,886)	
Federal sources	121,370	122,187	122,187	817	
Total Revenues	<u>3,587,073</u>	<u>3,557,607</u>	<u>3,557,607</u>	<u>(29,466)</u>	
Expenditures:					
Instruction	2,256,037	2,155,286	2,155,286	100,751	
Support services	1,381,584	1,358,798	1,358,798	22,786	
Noninstructional services	35,238	20,617	20,617	14,621	
Total Expenditures	<u>3,672,859</u>	<u>3,534,701</u>	<u>3,534,701</u>	<u>138,158</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>(85,786)</u>	<u>22,906</u>	<u>22,906</u>	<u>108,692</u>	
Other Financing Sources (Uses):					
Inception of capital leases	65,575	121,258	122,000	55,683	742
Operating transfers in	360,527	326,610		(33,917)	(326,610)
Operating transfers out	(488,111)	(454,339)	(127,730)	33,772	326,609
Other financing uses			(742)		(742)
Total Other Financing Sources (Uses)	<u>(62,009)</u>	<u>(6,471)</u>	<u>(6,472)</u>	<u>55,538</u>	<u>(1)</u>
Net Change in Fund Balances	<u>(147,795)</u>	<u>16,435</u>	<u>16,434</u>	<u>164,230</u>	<u>(1)</u>
Fund Balances:					
July 1, 2007	638,816	638,816	638,236		(580)
Prior period adjustments		(581)		(581)	581
June 30, 2008	<u>\$ 491,021</u>	<u>654,670</u>	<u>654,670</u>	<u>163,649</u>	

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

CHICKASAW COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Extended School Year 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:					
State sources	\$ 6,770	6,428	6,428	(342)	
Total Revenues	<u>6,770</u>	<u>6,428</u>	<u>6,428</u>	<u>(342)</u>	
Expenditures:					
Instruction		3,678	3,678	(3,678)	
Support services	<u>6,770</u>	<u>3,014</u>	<u>3,014</u>	<u>3,756</u>	
Total Expenditures	<u>6,770</u>	<u>6,692</u>	<u>6,692</u>	<u>78</u>	
Excess (Deficiency) of Revenues over Expenditures		<u>(264)</u>	<u>(264)</u>	<u>(264)</u>	
Other Financing Sources (Uses):					
Operating transfers in		660	660	660	
Total Other Financing Sources (Uses)		<u>660</u>	<u>660</u>	<u>660</u>	
Net Change in Fund Balances		<u>396</u>	<u>396</u>	<u>396</u>	
Fund Balances:					
July 1, 2007					
June 30, 2008	\$	<u><u>396</u></u>	<u><u>396</u></u>	<u><u>396</u></u>	<u><u>0</u></u>

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

CHICKASAW COUNTY 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	\$	226	226	226	
Federal sources		178,264	204,808	26,544	
Total Revenues		178,264	205,034	26,770	
Expenditures:					
Instruction		191,218	184,949	6,269	
Support services		27,280	18,260	9,020	
Noninstructional services		2,000	1,825	175	
Total Expenditures		220,498	205,034	15,464	
Excess (Deficiency) of Revenues over Expenditures		(42,234)		42,234	
Other Financing Sources (Uses):					
Operating transfers in		13,699		(13,699)	
Total Other Financing Sources (Uses)		13,699		(13,699)	
Net Change in Fund Balances		(28,535)		28,535	
Fund Balances:					
July 1, 2007					
June 30, 2008	\$	(28,535)		28,535	0

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

Chickasaw County School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

CHICKASAW COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 90,935
National school lunch program	10.555	162,479
Summer food service program for children	10.559	2,469
Total child nutrition cluster		<u>255,883</u>
Passed through Chickasaw county:		
Schools and roads cluster:		
Schools and roads - grants to states	10.665	41,670
Total schools and roads cluster		<u>41,670</u>
Total U.S. Department of Agriculture		<u>297,553</u>
<u>Appalachian Regional Commission</u>		
Passed-through Mississippi Department of Education:		
Appalachian research, technical assistance, and demonstration projects	23.011	1,973
Total Appalachian Regional Commission		<u>1,973</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	45,906
Total Federal Communications Commission		<u>45,906</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	204,807
Safe and drug-free schools and communities - state grants	84.186	4,050
Twenty-first century community learning centers	84.287	70,661
State grants for innovative programs	84.298	1,222
Education technology state grants	84.318	1,560
Rural education	84.358	14,632
Improving teacher quality state grants	84.367	15,962
Grants for state assessments and related activities	84.369	2,839
Total		<u>315,733</u>
Special education cluster:		
Special education - grants to states	84.027	111,678
Special education - preschool grants	84.173	6,990
Total special education cluster		<u>118,668</u>
Total passed-through Mississippi Department of Education		<u>434,401</u>
Total U.S. Department of Education		<u>434,401</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	23,531
Total passed-through Mississippi Department of Education		23,531
Total U.S. Department of Health and Human Services		23,531
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	392
Total U.S. Department of Homeland Security		392
Total for All Federal Awards		\$ 803,756

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 3,484,146	2,703,918	237,498	191,060	351,670
Other	1,264,972	245,262	52,656	11,693	955,361
Total	\$ <u>4,749,118</u>	<u>2,949,180</u>	<u>290,154</u>	<u>202,753</u>	<u>1,307,031</u>
Total number of students *	<u>526</u>				
Cost per student	\$ <u>9,029</u>	<u>5,607</u>	<u>552</u>	<u>385</u>	<u>2,485</u>

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

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

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

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

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

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

CHICKASAW COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

CHICKASAW COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 671,622	654,527	651,845	599,442
State sources	2,763,798	2,512,862	2,494,553	2,369,589
Federal sources	122,187	119,314	75,195	97,523
Total Revenues	<u>3,557,607</u>	<u>3,286,703</u>	<u>3,221,593</u>	<u>3,066,554</u>
Expenditures:				
Instruction	2,155,286	2,081,668	1,935,252	1,813,577
Support services	1,358,798	1,202,867	1,131,146	1,160,840
Noninstructional services	20,617	33,627	35,979	28,927
Facilities acquisition and construction			17,833	21,625
Debt service:				
Interest			655	2,053
Other				70
Total Expenditures	<u>3,534,701</u>	<u>3,318,162</u>	<u>3,120,865</u>	<u>3,027,092</u>
Excess (Deficiency) of Revenues over Expenditures	<u>22,906</u>	<u>(31,459)</u>	<u>100,728</u>	<u>39,462</u>
Other Financing Sources (Uses):				
Inception of capital leases	122,000			
Insurance loss recoveries		3,835	10,003	5,000
Sale of transportation equipment				896
Operating transfers in				274,951
Operating transfers out	(127,730)	(210,782)	(105,347)	(349,878)
Other financing uses	(742)			
Total Other Financing Sources (Uses)	<u>(6,472)</u>	<u>(206,947)</u>	<u>(95,344)</u>	<u>(69,031)</u>
Net Change in Fund Balances	<u>16,434</u>	<u>(238,406)</u>	<u>5,384</u>	<u>(29,569)</u>
Fund Balances:				
July 1	638,236	876,642	881,258	911,017
Prior period adjustments			(10,000)	(190)
July 1, as restated	<u>638,236</u>	<u>876,642</u>	<u>871,258</u>	<u>910,827</u>
June 30	\$ <u>654,670</u>	<u>638,236</u>	<u>876,642</u>	<u>881,258</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 788,896	756,051	752,006	723,043
Intermediate sources		2,500		
State sources	2,892,046	2,644,622	2,631,507	2,507,471
Federal sources	835,680	774,908	813,678	804,783
Total Revenues	<u>4,516,622</u>	<u>4,178,081</u>	<u>4,197,191</u>	<u>4,035,297</u>
Expenditures:				
Instruction	2,558,134	2,468,495	2,372,335	2,246,078
Support services	1,529,379	1,383,399	1,289,702	1,337,042
Noninstructional services	358,351	341,962	337,627	327,350
Facilities acquisition and construction	121,028	15,372	103,207	21,767
Debt service:				
Principal	128,149	106,513	78,573	72,619
Interest	54,077	39,600	44,225	48,163
Other				70
Total Expenditures	<u>4,749,118</u>	<u>4,355,341</u>	<u>4,225,669</u>	<u>4,053,089</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(232,496)</u>	<u>(177,260)</u>	<u>(28,478)</u>	<u>(17,792)</u>
Other Financing Sources (Uses):				
Proceeds of general obligation bonds		365,000		
Inception of capital leases	122,000			
Insurance loss recoveries		3,835	10,003	5,000
Sale of transportation equipment				896
Operating transfers in	145,863	245,613	158,293	368,790
Operating transfers out	(145,863)	(245,613)	(158,293)	(368,790)
Other financing uses	(742)			
Total Other Financing Sources (Uses)	<u>121,258</u>	<u>368,835</u>	<u>10,003</u>	<u>5,896</u>
Net Change in Fund Balances	<u>(111,238)</u>	<u>191,575</u>	<u>(18,475)</u>	<u>(11,896)</u>
Fund Balances:				
July 1	1,280,944	1,091,662	1,118,818	1,144,661
Prior period adjustments	(8,141)		(10,247)	(14,826)
July 1, as restated	<u>1,272,803</u>	<u>1,091,662</u>	<u>1,108,571</u>	<u>1,129,835</u>
Increase (Decrease) in reserve for inventory	<u>13,147</u>	<u>(2,293)</u>	<u>1,566</u>	<u>879</u>
June 30	<u>\$ 1,174,712</u>	<u>1,280,944</u>	<u>1,091,662</u>	<u>1,118,818</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CHICKASAW COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

CHICKASAW COUNTY SCHOOL DISTRICT

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chickasaw County School District as of and for the year ended June 30, 2008, which collectively comprise Chickasaw County School District's basic financial statements and have issued our report thereon dated December 2, 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 certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-1, 08-2, 08-3 and 08-4 to be significant deficiencies in internal control over financial reporting.

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

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, of the significant deficiencies described above, we consider Finding 08-1 to be a material weakness.

POST OFFICE BOX 956 • JACKSON, MISSISSIPPI 39205 • (601) 576-2800 • FAX (601) 576-2650
www.osa.state.ms.us

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*.

Chickasaw County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Chickasaw County School District's responses and, accordingly, we express no opinion on them.

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



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 2, 2009



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Chickasaw County School District

Compliance

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

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

In our opinion, Chickasaw County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Chickasaw County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chickasaw County 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.

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

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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. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-5 and 08-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Chickasaw County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Chickasaw County School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, 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.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 2, 2009

CHICKASAW COUNTY SCHOOL DISTRICT

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

CHICKASAW COUNTY SCHOOL DISTRICT

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2008, which collectively comprise Chickasaw County School District's basic financial statements and have issued our report thereon dated December 2, 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 \$8,071 of classroom supply funds carried over from previous years.

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

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

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

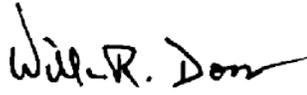
The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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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.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

December 2, 2009

CHICKASAW COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHICKASAW COUNTY SCHOOL DISTRICT

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Chickasaw County School District

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit findings reported as required by Section ____510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs:
Child Nutrition Cluster:
CFDA # 10.553 – School Breakfast Program
CFDA # 10.555 – National School Lunch Program
CFDA # 10.559 – Summer Food Service Program for Children | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

Chickasaw County School District

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

Section 2: Financial Statement Findings

Significant Deficiencies Considered to Be a Material Weakness

08-1. Controls Surrounding Segregation of Duties Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our test of internal controls, we noted that the Business Manager performed, or had the ability to perform, the following functions, which indicated a lack of segregation of duties:

- Received money and posted receipts to the general ledger;
- performed general accounting entries;
- performed monthly bank reconciliations
- prepared monthly financial reports;
- had the ability to transfer funds electronically;
- had the ability to access all software programs; and
- had responsibility for the district's information technology systems and had the ability to access all software programs.

During our test of internal controls, we noted that the Accounts Payable Clerk/Payroll Clerk performed, or had the ability to perform, the following functions, which indicated a lack of segregation of duties:

- Received money;
- prepared deposits slips and transported deposits to the bank institution;
- posted entries to the general ledger;
- performed monthly bank reconciliations;
- prepared monthly financial reports; and
- had the ability to access to all software.

Without proper segregation of duties, the risk is increased that unauthorized or inappropriate transactions could be processed, and the district personnel would not detect the problem while performing their normal duties.

Recommendation

We recommend the district strengthen its internal controls whereby duties would be divided to the greatest possible extent.

Chickasaw County School District

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

Section 2: Financial Statement Findings

Significant Deficiencies Not Considered to Be Material Weaknesses

08-2. Payroll Expenditures Should Be Supported by Adequate Documentation

Finding

Management is responsible for ensuring that all payroll expenditures made by the District are adequately documented and pay is processed according to actual time worked.

During our tests of 29 payroll expenditures, we noted the following deficiencies:

- Supporting documentation of the time worked for nonexempt employees was nonexistent, incomplete or not used to calculate the amount of salary an employee had earned.
- In seven instances in our test, the board approved an individual and their position, but did not approve a salary amount.
- Compensation for the Twenty-first century grant bus drivers was not approved in the board minutes.
- Two extended day workers were not board approved.
- One employee's salary amount was split between district maintenance funds and a federal program, but no supporting documentation was found to support the allocation of the salary.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation.

Payment of wages without adequate records could result in employees being improperly compensated.

Omitting documentation of approval of nonexempt workers and their pay from the board minutes could result in payments to unauthorized employees or payments of unauthorized amounts.

Recommendation

The District should maintain adequate records for all nonexempt personnel to support payroll expenditures. Authorization for employment and approval of rates of pay for all employees should be approved in the board minutes.

08-3. Internal Controls Surrounding Accounts Payable Expenditures Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and proper reporting of expenditures. Important aspects of internal control related to purchasing are to ensure that the amount of the purchase order, invoice, and shipping documents are reconciled to ensure the item has been received prior to payment and that the proper authorized amount is paid.

During our tests of 30 accounts payable checks totaling \$432,551, we noted that 14 checks totaling \$231,527 for which there was no documentation supporting the receipt of goods purchased or approval for payment.

As a result of improper internal controls surrounding the payment of goods without documentation of receipt, the district was at a high level of risk that any invoice that was submitted by a vendor would potentially be processed for payment.

Chickasaw County School District

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

Recommendation

The District should implement controls to ensure that all goods have been received and services have been completed before payment is made. In addition, the District should implement controls to ensure proper reconciliations are performed between what has been invoiced, what has been received, and what has been authorized to be purchased prior to placement on the docket for board approval.

08-4. Controls Related to Activity Fund Receipts Should Be Strengthened

Finding

Management is responsible for ensuring that revenue earned is correctly recorded and deposited in order to safeguard the assets of the district.

During our test of activity fund revenue, we noted that school event forms were not verified and signed by the principal of Houlika Attendance Center. None of the five school event forms tested were completed correctly. The ticket numbers checked out and returned, as recorded on the school event form, could not be used to calculate the amount of the game receipts deposit. On each of the five school event forms tested, the amount of the deposit was greater than the amount calculated based on ticket sales. The total of the discrepancies for the five games was \$1,166.

These weaknesses occurred due to inadequate internal controls surrounding the collection and deposit of gate receipts which could result in the loss of assets and improper revenue recognition.

Recommendation

We recommend that the District implement policies and procedures to ensure that school event forms are properly completed so that assets are adequately safeguarded and revenue is properly recognized and recorded.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies Not Considered to Be Material Weaknesses

08-5. Controls Related to the Proper Recording of Child Nutrition Revenue Should Be Strengthened

Finding

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education
CFDA #s 10.553, 10.555 and 10.559

Compliance requirement: Program Income

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and the proper reporting of Child Nutrition revenue. Important aspects of internal control related to revenue are that daily sales for breakfast and lunch are reported accurately as student breakfast, student lunch, adult sales and extra food sales.

During our test of internal controls over the Child Nutrition program, we noted discrepancies in the calculated potential food service revenues and the actual revenues recorded by the School District. Using the monthly claim forms, we noted the calculation of the children's potential total daily sales, based on the number of children eating breakfast and lunch, was \$12,149 less than the actual daily sales recorded in the general ledger for the year. The calculation of the potential adult sales exceeded the actual daily sales recorded by \$2,140. It was also noted in our test that extra food sales were not being correctly reported as extra food but instead were being reported as regular breakfast and lunch sales.

Chickasaw County School District

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

Without proper internal controls regarding the recording of daily sales, the District increases the risk that program revenues will be misstated.

Recommendation

We recommend that the District implement policies and procedures to ensure that all program revenue resulting from daily food sales is recorded in the proper food sales revenue accounts.

08-6. Internal Controls Surrounding Child Nutrition Expenditures Should Be Strengthened

Finding

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education
CFDA #s 10.553, 10.555 and 10.559

Compliance requirement: Activities allowed or unallowed

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and proper reporting of Child Nutrition expenditures. Important aspects of internal control related to purchasing are to ensure that the amount of the purchase order, invoice, and shipping documents are reconciled to ensure the item has been received prior to payment and that the proper authorized amount is paid.

During our tests of 25 Child Nutrition expenditures totaling \$33,049, we noted that eight invoices totaling \$17,923 pre-dated the purchase orders, and seven invoices totaling \$5,738 did not show documentation for receipt of goods purchased.

Lack of controls surrounding invoices is directly related to lack of controls over the purchase order system. Therefore, the district was at a high level of risk that any invoice that was submitted by a vendor would potentially be processed for payment. Improper internal controls concerning Child Nutrition expenditures could result in unallowable expenditures being incurred by Child Nutrition funds.

Recommendation

We recommend that the District implement controls to ensure that all goods have been received and services have been completed before payment is made. In addition, the district should implement controls to ensure proper reconciliations are performed between what has been invoiced, what has been received, and what has been authorized to be purchased prior to placement on the docket for school board approval.

CHICKASAW COUNTY SCHOOL DISTRICT

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CHICKASAW COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN



Chickasaw County Schools

KATHY Y. DAVIS, SUPERINTENDENT OF EDUCATION

662-568-3333

FAX # 662-568-2993

P.O. BOX 480, 501 GRIFFIN AVENUE
HOULKA, MISSISSIPPI 38850

December 9, 2009

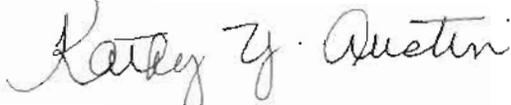
J. Thomas Vickers, CPA, Director
Education Audit Section
PO Box 956
Jackson, MS 39205-0956

As required of OMB Circular A-133, the Chickasaw County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings for the year ended June 30, 2008.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
08-1	<p>A. Kathy Y. Austin, Superintendent of Education 662-568-3333</p> <p>B. The district will strengthen its internal controls by segregating duties to the greatest extent possible with the limited staff available. This will be implemented immediately.</p>
08-2	<p>A. Kathy Y. Austin, Superintendent of Education 662-568-3333</p> <p>B. Procedures will be implemented immediately to ensure all personnel and their salaries are approved by the school board and reflected in the board minutes. Adequate records for all non-exempt personnel will be maintained.</p>
08-3	<p>A. Kathy Y. Austin, Superintendent of Education 662-568-3333</p> <p>B. We will implement controls to ensure all goods have been received prior to being placed on the claims dockets for board approval. These controls will be implemented immediately.</p>

- 08-4 A. Kathy Y. Austin, Superintendent of Education 662-568-3333
- B. Procedures have been implemented to ensure proper completion
 of school event forms.
- 08-5 A. Kathy Y. Austin, Superintendent of Education 662-568-3333
- B. Procedures have been implemented to ensure daily food sales
 are being recorded in the proper food sales revenue account.
- 08-6 A. Controls have been implemented to ensure all goods are
 received prior to being placed on the claims docket. Purchase
 orders for food service purchases will be completed prior to orders
 being placed.

Regards,



Kathy Y. Austin
Superintendent of Education