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**TATE COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

**TATE COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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EATON, BABB & SMITH

C E R T I F I E D P U B L I C A C C O U N T A N T S

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

Conservator and School Board
Tate County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2010, which collectively comprise the Tate County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tate County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

The management of Tate County School District did not maintain adequate subsidiary records documenting the completeness, existence, and valuation of capital assets, net of accumulated depreciation, reported on the accompanying Statement of Net Assets at \$23,880,138 as of June 30, 2010, or the amount of depreciation expense for the year then ended, disclosed in Note 4 as \$775,950. Accordingly, we were unable to satisfy ourselves as to the fair presentation of these capital assets and related transactions of the governmental activities.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate capital asset subsidiary records as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District, as of June 30, 2010, 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 November 14, 2011, on our consideration of the Tate County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Eaton, Bahk + Smith

Ripley, Mississippi
November 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TATE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

The discussion and analysis of Tate County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$ 2,271,700, including prior period adjustments of \$963,314, which represents a 66.86% increase from fiscal year 2009. Total net assets for 2009 increased \$845,521, including prior period adjustments of (\$49,258), which represents a 33.13% increase from fiscal year 2008
- General revenues amounted to \$19,700,466 and \$20,323,764, or 80.64% and 82.62% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,728,178, or 19.36% of total revenues for 2010, and \$4,274,990, or 17.38% of total revenues for 2009.
- The District had \$23,120,258 and \$23,703,975 in expenses for fiscal years 2010 and 2009; only \$4,728,178 for 2010 and \$4,274,990 for 2009 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,700,466 for 2010 and \$20,323,764 for 2009 were adequate to provide for these programs.
- Among major funds, the General Fund had \$16,777,736 in revenues and \$15,899,322 in expenditures for 2010, and \$18,373,977 in revenues and \$17,550,316 in expenditures in 2009. The General Fund's fund balance increased by \$352,905 from 2009 to 2010, and increased by \$1,593,740 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$116,051 for 2010 and decreased by \$50,182 for 2009. The increase for 2010 was due to the addition of a Robotics Technology Program at the Senatobia/Tate County Career Technical Center as well as the increase in accumulated depreciation.

- Long-term debt decreased by \$1,520,243 for 2010 and increased by \$254,716 for 2009. This increase was due primarily to the issuance of a \$1,200,000 note to the State of Mississippi in June 2009. The decreases are primarily due to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$19,669 for 2010 and increased by \$11,130 for 2009.

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.

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. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities 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 non-major funds are combined 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. Budgetary comparison schedules have been provided for the General Fund and each additional 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, All Governmental Funds, Last Four Years. This information 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$5,669,477 as of June 30, 2010.

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 at June 30, 2010 and June 30, 2009.

Table 1
Condensed Statement of Net Assets

	June 30, 2010	June 30, 2009	Percentage Change
Current assets	\$ 2,479,289	\$ 1,941,172	27.72 %
Capital assets, net	23,880,138	23,764,087	0.49 %
Total assets	26,359,427	25,705,259	2.54 %
Current liabilities	228,450	345,408	-33.86 %
Long-term debt outstanding	20,461,500	21,962,074	-6.83 %
Total liabilities	20,689,950	22,307,482	-7.25 %
Net assets:			
Invested in capital assets, net of related debt	4,745,847	3,109,553	52.62 %
Restricted	944,102	641,931	47.07 %
Unrestricted	(20,472)	(353,707)	-94.21 %
Total net assets	\$ 5,669,477	\$ 3,397,777	66.86 %

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 \$116,051.
- The principal retirement of \$1,520,243 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$24,428,644 and \$24,598,754, respectively. The total cost of all programs and services was \$23,120,258 for 2010 and \$23,703,975 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 2
Changes in Net Assets

	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Year Ended</u> <u>June 30, 2009</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 842,090	\$ 782,027	7.68 %
Operating grants and contributions	3,886,088	3,492,463	11.27 %
Capital grants and contributions		500	(100.00) %
General revenues:			
Property taxes	4,693,001	4,144,308	13.24 %
Grants and contributions not restricted	14,923,610	15,628,166	(4.51) %
Investment earnings	691	7,626	(90.94) %
Other	83,164	543,664	(84.70) %
Total revenues	<u>24,428,644</u>	<u>24,598,754</u>	(0.69) %
Expenses:			
Instruction	13,140,712	12,743,209	3.12 %
Support services	7,554,840	7,754,295	(2.57) %
Non-instructional	1,580,592	2,073,748	(23.78) %
Interest and other expenses on long-term liabilities	844,114	1,132,723	(25.48) %
Total expenses	<u>23,120,258</u>	<u>23,703,975</u>	(2.46) %
Increase in net assets	<u>1,308,386</u>	<u>894,779</u>	46.22 %
Net Assets, July 1, as originally reported	<u>3,397,777</u>	<u>2,552,256</u>	33.13 %
Prior Period Adjustments	<u>963,314</u>	<u>(49,258)</u>	(2,055.65) %
Net Assets, July 1, as restated	<u>4,361,091</u>	<u>2,502,998</u>	74.23 %
Net Assets, June 30	<u>\$ 5,669,477</u>	<u>\$ 3,397,777</u>	66.86 %

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 functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2010	2009	Change
Instruction	\$ 13,140,712	\$ 12,743,209	3.12 %
Support services	7,554,840	7,754,295	(2.57) %
Non-instructional	1,580,592	2,073,748	(23.78) %
Interest on long-term liabilities	844,114	1,132,723	(25.48) %
Total expenses	\$ 23,120,258	\$ 23,703,975	(2.46) %

	Net (Expense) Revenue		Percentage
	2010	2009	Change
Instruction	\$ (10,765,363)	\$ (10,041,574)	7.21 %
Support services	(6,773,092)	(7,532,646)	(10.08) %
Non-instructional	(9,511)	(722,042)	(98.68) %
Interest on long-term liabilities	(844,114)	(1,132,723)	(25.48) %
Total net (expense) revenue	\$ (18,392,080)	\$ (19,428,985)	(5.34) %

- Net cost of governmental activities (\$18,392,080 for 2010 and \$19,428,985 for 2009) was financed by general revenue, which is primarily made up of property taxes (\$4,693,001 for 2010 and \$4,144,308 for 2009) and state and federal revenues (\$14,923,610 for 2010 and \$15,628,166 for 2009). In addition, there was \$83,164 and \$543,664 in other revenue sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$691 for 2010 and \$7,626 for 2009.

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 \$2,360,777, an increase of \$676,346, which includes prior period adjustments of \$206,290 and a decrease in inventory of \$1,815. \$1,507,347 or 63.85% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$853,430 or 36.15% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$352,905. The district has made significant strides to reduce spending. The fund balance of Other Governmental Funds showed an increase in the amount of \$191,901, which includes prior period adjustments of \$188,402, due primarily to the failure to record a receivable for MAEP revenue related to the MAEP Debt Service Fund in the prior year. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ 131,540
Title I Fund	\$ 0
Special Education Fund	\$ 0

BUDGETARY HIGHLIGHTS

During 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 major special revenue funds is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$33,126,324, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$898,282 from 2009. Total accumulated depreciation as of June 30, 2010, was \$9,246,186, and total depreciation expense for the year was \$775,950, resulting in total net capital assets of \$23,880,138.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 518,560	\$ 469,540	10.44 %
Buildings	21,109,243	21,307,866	(0.93) %
Building improvements	232,124	-	N/A %
Improvements other than buildings	872,805	1,057,768	(17.49) %
Mobile equipment	970,213	804,996	20.52 %
Furniture and equipment	177,193	123,917	42.99 %
Total	\$ 23,880,138	\$ 23,764,087	0.49 %

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

Debt Administration. At June 30, 2010, the District had \$20,334,291 in outstanding long-term debt, of which \$1,659,447 is due within one year. The liability for compensated absences increased \$19,669 from the prior year.

The District maintains an AAA bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 14,910,000	\$ 15,795,000	(5.60) %
Limited obligation bonds payable	2,540,000	2,777,000	(8.53) %
Certificates of participation payable	1,399,291	1,550,034	(9.73) %
Three mill notes payable	230,000	450,000	(48.89) %
Installment purchase loans payable	55,000	82,500	(33.33) %
Other loans payable	1,200,000	1,200,000	0.00 %
Compensated absences payable	127,209	107,540	18.29 %
Total	\$ 20,461,500	\$ 21,962,074	(6.83) %

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

CURRENT ISSUES

The Tate 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 revenues.

Enrollment for the 2009-2010 year increased by 2% to 3310 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Tate County School District, 107 Court Street, Senatobia, MS 38668.

FINANCIAL STATEMENTS

**TATE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Exhibit A

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 1,519,219
Investments	5,000
Due from other governments	931,167
Inventories	23,903
Capital assets, non-depreciable:	
Land	518,560
Capital assets, net of accumulated depreciation:	
Buildings	21,109,243
Building improvements	232,124
Improvements other than buildings	872,805
Mobile equipment	970,213
Furniture and equipment	177,193
Total Assets	<u><u>\$ 26,359,427</u></u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 110,282
Unearned revenue	8,230
Interest payable on long-term liabilities	109,938
Long-term liabilities, due within one year:	
Capital related liabilities	1,659,447
Non-capital related liabilities	6,360
Long-term liabilities, due beyond one year:	
Capital related liabilities	17,474,844
Non-capital related liabilities	1,320,849
Total Liabilities	<u><u>20,689,950</u></u>
NET ASSETS:	
Invested in capital assets, net of related debt	4,745,847
Restricted net assets:	
Expendable:	
School-based activities	224,513
Debt service	658,612
Unemployment benefits	60,977
Unrestricted	(20,472)
Total Net Assets	<u><u>5,669,477</u></u>
Total Liabilities and Net Assets	<u><u>\$ 26,359,427</u></u>

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

**TATE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit B

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 13,140,712	\$ 574,987	\$ 1,800,362	\$ -	\$ (10,765,363)
Support services	7,554,840	18,610	763,138	-	(6,773,092)
Non-instructional services	1,580,592	248,493	1,322,588	-	(9,511)
Interest on long-term liabilities	844,114	-	-	-	(844,114)
Total Governmental Activities	\$ 23,120,258	\$ 842,090	\$ 3,886,088	\$ -	\$ (18,392,080)
General Revenues:					
Taxes:					
General purpose levies					3,029,136
Debt purpose levies					1,663,865
Unrestricted grants and contributions:					
State					13,665,987
Federal					1,257,623
Unrestricted investment earnings					691
Other					83,164
Total General Revenues					19,700,466
Change in Net Assets					1,308,386
Net Assets - Beginning, as originally reported					3,397,777
Prior Period Adjustments					963,314
Net Assets - Beginning, as restated					4,361,091
Net Assets - Ending					\$ 5,669,477

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

TATE COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

Exhibit C

Major Funds

	Major Funds					
	School		Title I	Special	Other	Total
	General	Food Service	Fund	Education	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
ASSETS						
Cash and cash equivalents	\$ 555,080	\$ 238,792	\$ -	\$ -	\$ 725,347	\$ 1,519,219
Investments	-	-	-	-	5,000	5,000
Due from other governments	375,850	1,297	63,634	57,846	423,194	921,821
Due from other funds	449,682	-	-	-	-	449,682
Inventories	-	23,903	-	-	-	23,903
Total Assets	\$ 1,380,612	\$ 263,992	\$ 63,634	\$ 57,846	\$ 1,153,541	\$ 2,919,625

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 73,875	\$ -	\$ 83	\$ 1,000	\$ 35,324	\$ 110,282
Due to other funds	-	156,537	63,551	56,846	163,402	440,336
Unearned revenue	-	3,428	-	-	4,802	8,230
Total Liabilities	73,875	159,965	63,634	57,846	203,528	558,848

Fund Balances:

Reserved for:						
Inventory	-	23,903	-	-	-	23,903
Debt service	-	-	-	-	768,550	768,550
Unemployment benefits	-	-	-	-	60,977	60,977
Unreserved:						
Undesignated, reported in:						
General Fund	1,306,737	-	-	-	-	1,306,737
Special Revenue Funds	-	80,124	-	-	120,486	200,610
Total Fund Balances	1,306,737	104,027	-	-	950,013	2,360,777
Total Liabilities and Fund Balances	\$ 1,380,612	\$ 263,992	\$ 63,634	\$ 57,846	\$ 1,153,541	\$ 2,919,625

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

**TATE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Exhibit C-1

Total Fund Balance - Governmental Funds	\$ 2,360,777
--	---------------------

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 \$9,246,186. | 23,880,138 |
| 2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (20,461,500) |
| 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>(109,938)</u> |

Total Net Assets - Governmental Activities	<u>\$ 5,669,477</u>
---	----------------------------

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

TATE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

Exhibit D

Major Funds

	School			Title I	Special	Other	Total
	General	Food Service	Fund	Fund	Education	Governmental	Governmental
	Fund	Fund		Fund	Fund	Funds	Funds
REVENUES:							
Local sources	\$ 3,348,345	\$ 237,489	\$ -	\$ -	\$ -	\$ 1,965,482	\$ 5,551,316
State sources	13,275,964	17,158	-	-	-	1,082,759	14,375,881
Federal sources	153,427	1,351,452	538,592	683,168		1,707,178	4,433,817
Total Revenues	16,777,736	1,606,099	538,592	683,168		4,755,419	24,361,014
EXPENDITURES:							
Instruction	9,105,971	-	186,539	411,352		3,002,788	12,706,650
Support services	6,435,912	53,257	350,061	266,592		215,900	7,321,722
Non-instructional services	114,621	1,418,965	1,992	90		775	1,536,443
Debt service:							
Principal	178,243	-	-	-		1,342,000	1,520,243
Interest	63,975	-	-	-		750,717	814,692
Other	600	-	-	-		7,553	8,153
Total Expenditures	15,899,322	1,472,222	538,592	678,034		5,319,733	23,907,903
Excess (Deficiency) of Revenues over (under) Expenditures	878,414	133,877	-	5,134		(564,314)	453,111
OTHER FINANCING SOURCES (USES):							
Insurance loss recoveries	18,610	-	-	-		-	18,610
Sale of other property	-	150	-	-		-	150
Operating transfers in	51,904	-	-	-		613,911	665,815
Operating transfers out	(613,911)	(672)	-	(5,134)		(46,098)	(665,815)
Total Other Financing Sources (Uses)	(543,397)	(522)	-	(5,134)		567,813	18,760

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

TATE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit D
(Continued)

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	Special Education Fund			
NET CHANGE IN FUND BALANCES	\$ 335,017	\$ 133,355	\$ -	\$ -		\$ 3,499	\$ 471,871
FUND BALANCES:							
July 1, 2009, as originally reported	953,832	(27,513)	-	-		758,112	1,684,431
Prior period adjustments	17,888	-	-	-		188,402	206,290
July 1, 2009, as restated	971,720	(27,513)	-	-		946,514	1,890,721
Decrease in Reserve for Inventory	-	(1,815)	-	-		-	(1,815)
June 30, 2010	\$ 1,306,737	\$ 104,027	\$ -	\$ -		\$ 950,013	\$ 2,360,777

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

**TATE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit D-1

Net Change in Fund Balances - Governmental Funds **\$ 471,871**

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 lives of the assets. Capital assets purchased amounted to \$87,571, and the depreciation expense amounted to \$775,950. (688,379)
2. Donations of capital assets are not reported in the governmental funds, but general revenues are increased in the Statement of Activities 49,020
3. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets. 1,520,243
4. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due. (21,271)
5. The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss. (1,614)
5. A decrease in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are increased in the Statement of Activities. (1,815)
6. Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:
 - Compensated absences (19,669)

Change in Net Assets of Governmental Activities **\$ 1,308,386**

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

**TATE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010**

Exhibit E

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 977,729
Total Assets	<u>\$ 977,729</u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 935,397
Due to other funds	9,346
Due to student clubs	<u>32,986</u>
Total Liabilities	<u>\$ 977,729</u>

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

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 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 is elected by the citizens of each defined county district.

For financial reporting purposes, Tate 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.

Blended component unit

The Tate County Schools Leasing Authority, Inc. ("the Authority"), as explained in the following paragraph, is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. (See Note 10).

B. Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the district. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by tax and intergovernmental revenues.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Assets presents the district's non-fiduciary 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 of 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, are 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 taxes and other items not included among program revenues are reported instead as general revenues.

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 in 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.

School Food Service Fund - This fund accounts for food distributions under the national school breakfast and lunch programs.

Title I Fund - This fund accounts for a federal grant which is used to supplement educational services for disadvantaged children.

Special Education Fund - This fund accounts for a federal grant which is used to provide free appropriate public education to all children with disabilities.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 FUNDS

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting

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

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

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, 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 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*, issued in 2005 by the Government Finance Officers Association, and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U. S. Department of Education.

E. Encumbrances

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

F. Assets, Liabilities, and Net Assets

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.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Activities 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.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets 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 Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities column 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 table below.

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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$0	0
Buildings	\$50,000	40 years
Building improvements	\$25,000	20 years
Improvements other than buildings	\$25,000	20 years
Mobile equipment	\$5,000	5-10 years
Furniture and equipment	\$5,000	3-7 years
Leased property under capital leases	*	*
Intangible assets	\$100,000	**

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

(**) The district has no intangible assets over the threshold.

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. 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).

**TATE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The liability for these compensated absences is recorded as a long-term liability 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 liability for compensated absences 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.

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

9. Fund Equity

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

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

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

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

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

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accounting for realizability of receivables and depreciation. Accordingly, actual results could differ from those estimates.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann., (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,519,219 and \$977,729, respectively. The bank balance was \$2,386,078.

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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, none of the district's bank balance of \$2,386,078 was exposed to custodial credit risk.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments

As of June 30, 2010, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	AAAm	Less than one year	\$ 5,000

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

NOTE 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	School food service fund	\$ 156,537
General Fund	Title I fund	63,551
General Fund	Special education fund	56,846
General Fund	Other governmental funds	163,402
General Fund	Fiduciary funds	9,346
Total		<u>\$ 449,682</u>

Interfund receivables and payables resulted primarily from the general fund's loans to various special revenue funds to cover cash deficits in pooled bank accounts. In addition, the district maintenance fund loaned the school food service fund \$156,537 for cash flow purposes. All balances are expected to be repaid within one year from the date of the financial statements.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

B. Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 613,911
School food service fund	General Fund	672
Special education fund	General Fund	5,134
Other governmental funds	General Fund	46,098
Total		<u>\$ 665,815</u>

Interfund transfers were made to cover the deficits in the vocational fund, unemployment compensation fund and Senatobia/Tate Joint Vocational Center. Other transfers were made for indirect costs.

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>* Adjustments</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 469,540	\$ 49,020	\$ -	\$ -	\$ 518,560
Total non-depreciable capital assets	<u>469,540</u>	<u>49,020</u>	<u>-</u>	<u>-</u>	<u>518,560</u>
<u>Depreciable capital assets:</u>					
Buildings	27,317,611	-	-	186,817	27,504,428
Building improvements	-	-	-	276,338	276,338
Improvements other than buildings	1,127,294	-	-	(98,929)	1,028,365
Mobile equipment	2,804,101	-	16,136	400,601	3,188,566
Furniture and equipment	<u>509,496</u>	<u>87,571</u>	<u>-</u>	<u>13,000</u>	<u>610,067</u>
Total depreciable capital assets	<u>31,758,502</u>	<u>87,571</u>	<u>16,136</u>	<u>777,827</u>	<u>32,607,764</u>
<u>Less accumulated depreciation for:</u>					
Buildings	6,009,745	508,440	-	(123,000)	6,395,185
Building improvements	-	11,054	-	33,160	44,214
Improvements other than buildings	69,526	41,135	-	44,899	155,560
Mobile equipment	1,999,105	171,703	14,522	62,067	2,218,353
Furniture and equipment	<u>385,579</u>	<u>43,618</u>	<u>-</u>	<u>3,677</u>	<u>432,874</u>
Total accumulated depreciation	<u>8,463,955</u>	<u>775,950</u>	<u>14,522</u>	<u>20,803</u>	<u>9,246,186</u>
Total depreciable capital assets, net	<u>23,294,547</u>	<u>(688,379)</u>	<u>1,614</u>	<u>757,024</u>	<u>23,361,578</u>
Governmental activities capital assets, net	<u>\$ 23,764,087</u>	<u>\$ (639,359)</u>	<u>\$ 1,614</u>	<u>\$ 757,024</u>	<u>\$ 23,880,138</u>

* The above adjustments are described in Note 8.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental Activities:	
Instruction	\$ 497,119
Support services	237,482
Non-instructional services	<u>41,349</u>
Total depreciation expense	<u>\$ 775,950</u>

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amount Due Within One Year
A. General obligation bonds payable \$	15,795,000	\$ -	\$ 885,000	\$ 14,910,000	\$ 960,000
B. Limited obligation bonds payable	2,777,000	-	237,000	2,540,000	285,000
C. Certificates of participation payable	1,550,034	-	150,743	1,399,291	156,947
D. Three mill note payable	450,000	-	220,000	230,000	230,000
E. Installment purchase loans payable	82,500	-	27,500	55,000	27,500
F. Other loan payable	1,200,000	-	-	1,200,000	-
G. Compensated absences payable	<u>107,540</u>	<u>19,669</u>	<u>-</u>	<u>127,209</u>	<u>6,360</u>
	<u>\$ 21,962,074</u>	<u>\$ 19,669</u>	<u>\$ 1,520,243</u>	<u>\$ 20,461,500</u>	<u>\$ 1,665,807</u>

A. General obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. General obligation bonds, Series 1998	variable	2/1/1998	2/1/2018	\$ 2,000,000	\$ 1,035,000
2. General obligation bonds, Series 2004	variable	12/21/2004	6/1/2020	9,500,000	7,480,000
3. General obligation bonds, Series 2005	3.625 - 4%	6/21/2005	6/1/2022	<u>7,500,000</u>	<u>6,395,000</u>
				<u>\$ 19,000,000</u>	<u>\$ 14,910,000</u>

**TATE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Following are schedules by years of the total payments due on these debts:

1. General obligation bond issue of 1998

Year Ending June 30,	Principal	Interest	Total
2011	\$ 110,000	\$ 47,610	\$ 157,610
2012	115,000	42,550	157,550
2013	120,000	37,260	157,260
2014	125,000	31,740	156,740
2015	130,000	25,990	155,990
2016-2018	435,000	40,480	475,480
	<u>\$ 1,035,000</u>	<u>\$ 225,630</u>	<u>\$ 1,260,630</u>

This debt will be retired from the 1998 Bond Retirement Fund.

2. General obligation bond issue of 2004

Year Ending June 30,	Principal	Interest	Total
2011	\$ 550,000	\$ 287,962	\$ 837,962
2012	590,000	267,337	857,337
2013	635,000	245,213	880,213
2014	680,000	221,400	901,400
2015	730,000	195,900	925,900
2016-2020	4,295,000	520,125	4,815,125
	<u>\$ 7,480,000</u>	<u>\$ 1,737,937</u>	<u>\$ 9,217,937</u>

This debt will be retired from the 2004 Bond Retirement Fund.

3. General obligation bond issue of 2005

Year Ending June 30,	Principal	Interest	Total
2011	\$ 300,000	\$ 249,370	\$ 549,370
2012	330,000	237,370	567,370
2013	355,000	224,170	579,170
2014	385,000	209,970	594,970
2015	415,000	196,014	611,014
2016-2020	2,805,000	718,820	3,523,820
2021-2022	1,805,000	108,600	1,913,600
	<u>\$ 6,395,000</u>	<u>\$ 1,944,314</u>	<u>\$ 8,339,314</u>

This debt will be retired from the 2005 Bond Retirement Fund.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Total general obligation bond payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 960,000	\$ 584,942	\$ 1,544,942
2012	1,035,000	547,257	1,582,257
2013	1,110,000	506,643	1,616,643
2014	1,190,000	463,110	1,653,110
2015	1,275,000	417,904	1,692,904
2016-2020	7,535,000	1,279,425	8,814,425
2021-2022	1,805,000	108,600	1,913,600
	<u>\$ 14,910,000</u>	<u>\$ 3,907,881</u>	<u>\$ 18,817,881</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2010, the amount of outstanding bonded indebtedness was equal to 16% of property assessments as of October 1, 2009. A determination was made that the school district met the requirements of Section 37-59-7, Miss. Code Ann (1972) and, therefore, the district is subject to a 20% debt limitation rather than the above 15% limitation.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. State aid capital improvement, Series 2008	3.63%	12/18/08	02/01/18	\$ <u>2,777,000</u>	\$ <u>2,540,000</u>

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

1. Limited obligation bond issue of 2008

Year Ending June 30,	Principal	Interest	Total
2011	\$ 285,000	\$ 92,202	\$ 377,202
2012	290,000	81,856	371,856
2013	300,000	71,330	371,330
2014	310,000	60,440	370,440
2015	320,000	49,186	369,186
2016-2018	1,035,000	76,230	1,111,230
	<u>\$ 2,540,000</u>	<u>\$ 431,244</u>	<u>\$ 2,971,244</u>

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

**TATE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Certificates of participation payable

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Certificates of Lease Participation					
Series 2006	4.04%	03/01/06	03/01/18	\$ 2,000,000	\$ 1,399,291

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

1. Certificates of participation issue of 2006

Year Ending				
June 30,	Principal	Interest	Total	
2011	\$ 156,947	\$ 53,646	\$ 210,593	
2012	163,406	47,187	210,593	
2013	170,131	40,462	210,593	
2014	177,133	33,460	210,593	
2015	184,424	26,169	210,593	
2016-2018	547,250	31,883	579,133	
	<u>\$ 1,399,291</u>	<u>\$ 232,807</u>	<u>\$ 1,632,098</u>	

This debt will be retired from the General Fund.

D. Three mill note payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note					
Series 2008	8%	10/15/08	10/15/10	\$ 450,000	\$ 230,000

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

1. Three mill note payable issue of 2008:

Year Ending				
June 30,	Principal	Interest	Total	
2011	\$ 230,000	\$ 9,361	\$ 239,361	

This debt will be retired from the General Fund.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 5 - LONG-TERM LIABILITIES (Continued)

E. Installment purchase loans payable

The school district has entered into an installment purchase agreement. Property under this installment purchase agreement is composed of 54 acres of land purchased from individuals.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Land notes	5%	9/15/03	9/15/11	\$ 220,000	\$ 55,000

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

1. Installment purchase loan issue of 2003:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 27,500	\$ 2,750	\$ 30,250
2012	27,500	1,375	28,875
	<u>\$ 55,000</u>	<u>\$ 4,125</u>	<u>\$ 59,125</u>

This debt will be retired from the General Fund.

F. Other loan payable

The school district has issued debt instruments granted under the authority of Section 37-17-6(14), Miss. Code Ann. (1972).

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Mississippi Board of Education loan payable	0%	7/2/09	*	\$ 1,200,000	\$ 1,200,000

*This loan is due and payable within five years after the impairments related to a lack of financial resources are corrected, as determined by the State Auditor's Office. A repayment schedule will be established at that time.

This debt will be retired from the General Fund.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 5 - LONG-TERM LIABILITIES (Continued)

G. 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.

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010, was 12.00% 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, 2010, 2009, and 2008 were \$1,471,640, \$1,432,874, and \$1,470,349, respectively, which equaled the required contributions for each year.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
1. Correction to record prior year receivable	\$ 17,888
2. Correction to record prior year receivable	188,402
3. Correction of costs and accumulated depreciation of capital assets	757,024
Total	\$ 963,314

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

Fund	Explanations	Amount
General Fund	Correction to record prior year receivable	\$ 17,888
Other governmental funds	Correction to record prior year receivable	188,402
		\$ 206,290

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 8 - CONTINGENCIES

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

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - TRUST CERTIFICATES

A trust agreement dated March 1, 2006, was executed by and between the school district and First Security Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,000,000. Approximately \$1,980,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$20,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 11 - ALTERNATIVE SCHOOL CONSORTIUM

The school district entered into an Alternative School Agreement dated May 13, 1999, creating the Senatobia-Tate County Regional Optional Learning Center. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Senatobia Municipal School District and the Tate County School District.

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

The Senatobia Municipal School District has been designated as the lead school district for the Senatobia-Tate County Regional Optional Learning Center, and the operations of the consortium are included in its financial statements.

NOTE 12 - VOCATIONAL SCHOOL CONSORTIUM

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

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

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

Revenues:

Local Sources:

Taxes	\$ 248,308
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Tuition from other LEA's within the state:

Senatobia Municipal School District	<u>50,000</u>
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Total Local Sources	<u>298,308</u>
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Total Revenues	<u>298,308</u>
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**TATE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 12 - VOCATIONAL SCHOOL CONSORTIUM (Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

Expenditures:	
Salaries	\$ 211,900
Employee benefits	72,130
Purchased property services	17,185
Other purchased services	350
Supplies	8,595
Total Expenditures	<u>310,160</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,852)</u>
Other Financing Sources (Uses):	
Operating transfers in	<u>17,778</u>
Total Other Financing Sources (Uses)	<u>17,778</u>
Net Change in Fund Balance	5,926
Fund Balance:	
July 1, 2009	<u>2,602</u>
June 30, 2010	<u>\$ 8,528</u>

NOTE 13 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Tate County School District evaluated the activity of the district through November 14, 2011, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

In August 2010, the school district issued a Limited Tax Note in the amount of \$200,000. The proceeds of the note were used to provide funds for making repairs, alterations and additions to school buildings of the district. On August 1, 2011, the Tate County School District 1998 General Obligation Bonds in the principal and interest amount of \$946,275 were refunded. The new bonds were issued in the principal amount of \$944,000 at an interest rate of 2.65%. On August 24, 2011, the school district issued a three mill note in the amount of \$720,000 for building renovations, building additions and bus purchases. The interest rate is 1.83% and the note will be repaid in three annual payments with the final note maturing on June 15, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

**TATE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 3,400,150	\$ 3,348,345	\$ 3,348,345	\$ (51,805)	\$ -
State sources	15,454,548	13,275,964	13,275,964	(2,178,584)	-
Federal sources	105,205	73,381	153,427	(31,824)	80,046
Total Revenues	18,959,903	16,697,690	16,777,736	(2,262,213)	80,046
EXPENDITURES:					
Instruction	10,422,374	9,105,971	9,105,971	1,316,403	-
Support services	6,597,664	6,435,912	6,435,912	161,752	-
Non-instructional services	118,000	114,621	114,621	3,379	-
Debt service:					
Principal	178,250	179,301	178,243	(1,051)	1,058
Interest	63,975	62,917	63,975	1,058	(1,058)
Other	600	600	600	-	-
Total Expenditures	17,380,863	15,899,322	15,899,322	1,481,541	-
Excess (Deficiency) of Revenues over (under) Expenditures	1,579,040	798,368	878,414	(780,672)	80,046
OTHER FINANCING SOURCES (USES):					
Insurance loss recoveries	-	18,610	18,610	18,610	-
Operating transfers in	1,817,027	1,744,825	51,904	(72,202)	(1,692,921)
Operating transfers out	(2,444,652)	(2,306,832)	(613,911)	137,820	1,692,921
Total Other Financing Sources (Uses)	(627,625)	(543,397)	(543,397)	84,228	-
NET CHANGE IN FUND BALANCE	951,415	254,971	335,017	(696,444)	80,046
FUND BALANCE:					
July 1, 2009, as originally reported	-	-	953,832	-	953,832
Prior Period Adjustment	-	-	17,888	-	17,888
July 1, 2009, as restated	-	-	971,720	-	971,720
June 30, 2010	\$ 951,415	\$ 254,971	\$ 1,306,737	\$ (696,444)	\$ 1,051,766

The notes to the required supplemental information are an integral part of this schedule.

**TATE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SCHOOL FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ -	\$ 237,774	\$ 237,489	\$ 237,774	\$ (285)
State sources	-	17,158	17,158	17,158	-
Federal sources	-	1,351,452	1,351,452	1,351,452	-
Total Revenues	-	1,606,384	1,606,099	1,606,384	(285)
EXPENDITURES:					
Support services	-	53,257	53,257	(53,257)	-
Non-instructional services	-	1,418,965	1,418,965	(1,418,965)	-
Total Expenditures	-	1,472,222	1,472,222	(1,472,222)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	134,162	133,877	134,162	(285)
OTHER FINANCING SOURCES (USES):					
Sale of other property	-	150	150	150	-
Operating transfers out	-	(672)	(672)	(672)	-
Total Other Financing Sources (Uses)	-	(522)	(522)	(522)	-
NET CHANGE IN FUND BALANCE	-	133,640	133,355	133,640	(285)
FUND BALANCE:					
July 1, 2009	-	-	(27,513)	-	(27,513)
Decrease in Reserve for Inventory	-	-	(1,815)	-	(1,815)
June 30, 2010	\$ -	\$ 133,640	\$ 104,027	\$ 133,640	\$ (29,613)

The notes to the required supplemental information are an integral part of this schedule.

TATE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	-	\$ 538,592	\$ 538,592	\$ 538,592	\$ -
Total Revenues	-	538,592	538,592	538,592	-
EXPENDITURES:					
Instruction	-	186,539	186,539	(186,539)	-
Support services	-	350,061	350,061	(350,061)	-
Non-instructional services	-	1,992	1,992	(1,992)	-
Total Expenditures	-	538,592	538,592	(538,592)	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE:					
July 1, 2009	-	-	-	-	-
June 30, 2010	-	\$ -	\$ -	\$ -	\$ -

The notes to the required supplemental information are an integral part of this schedule.

**TATE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	-	\$ 683,168	\$ 683,168	\$ 683,168	\$ -
Total Revenues	-	683,168	683,168	683,168	-
EXPENDITURES:					
Instruction	-	411,352	411,352	(411,352)	-
Support services	-	266,592	266,592	(266,592)	-
Non-instructional services	-	90	90	(90)	-
Facilities acquisition and construction	-				
Total Expenditures	-	678,034	678,034	(678,034)	-
Excess (Deficiency) of Revenues over Expenditures	-	5,134	5,134	5,134	-
OTHER FINANCING SOURCES (USES):					
Operating transfers out	-	(5,134)	(5,134)	(5,134)	-
Total Other Financing Sources (Uses)	-	(5,134)	(5,134)	(5,134)	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE:					
July 1, 2009	-	-	-	-	-
June 30, 2010	-	\$ -	\$ -	\$ -	\$ -

The notes to the required supplemental information are an integral part of this schedule.

**TATE COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 - BUDGETARY COMPARISON SCHEDULES

1. Basis of Presentation

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

2. Budget Amendments and Revisions

The budget is adopted by the school board and is 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 schedule is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

**TATE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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	\$ 342,250
National school lunch program	10.555	904,141
Total U.S. Department of Agriculture		<u>1,246,391</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	80,046
Total Federal Communications Commission		<u>80,046</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	<u>448</u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	44,800
Safe and drug-free schools and communities - state grants	84.186	10,624
Education technology state grants	84.318	4,721
Gaining early awareness and readiness in undergraduate programs	84.334	27,325
Teacher quality partnership grants	84.336	40
Improving teacher quality - state grants	84.367	160,189
ARRA - State fiscal stabilization fund, education state grants	84.394	<u>1,104,236</u>
Total		<u>1,351,935</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	538,592
ARRA - Title I grants to local educational agencies	84.389	<u>238,889</u>
Total Title I cluster		<u>777,481</u>
Special education cluster:		
Special education - grants to states	84.027	691,217
Special education - preschool grants	84.173	18,564
ARRA - Special education - grants to states (IDEA, Part B)	84.391	84,269
ARRA - Special education - preschool grants (IDEA Preschool)	84.392	<u>912</u>
Total special education cluster		<u>794,962</u>
Total passed-through Mississippi Department of Education		<u>2,924,378</u>
Total U.S. Department of Education		<u>2,924,826</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Abstinence education program	93.235	4,600
Medical assistance program	93.778	<u>57,883</u>
Total U.S. Department of Health and Human Services		<u>62,483</u>
Total for All Federal Awards		<u>\$ 4,313,746</u>

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.

**TATE COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

Expenditures	Total	Instruction and Other Student			Other
		Instructional Expenditures	General Administration	School Administration	
Salaries and fringe benefits	\$ 17,029,797 \$	13,131,238 \$	546,597 \$	1,232,615 \$	2,119,347
Other	6,878,106	1,525,742	317,046	174,991	4,860,327
Total	\$ 23,907,903 \$	14,656,980 \$	863,643 \$	1,407,606 \$	6,979,674
Total number of students*	2,834				
Cost per student	\$ 8,436 \$	5,172 \$	304 \$	497 \$	2,463

NOTES TO SCHEDULE

- 1. 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.
- 2. General Administration** - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
- 3. School Administration** - includes expenditures for the following function: Support Services - School Administration.
- 4. Other** - includes all expenditure functions not included in Instruction or Administration Categories.

*Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER SUPPLEMENTAL INFORMATION

TATE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FOUR YEARS

"UNAUDITED"

	<u>2010</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>
REVENUES:				
Local sources	\$ 3,348,345	\$ 3,057,964	\$ 2,630,778	\$ 2,381,833
State sources	13,275,964	15,260,630	14,708,357	13,046,752
Federal sources	<u>153,427</u>	<u>55,383</u>	<u>139,183</u>	<u>156,510</u>
Total Revenues	<u>16,777,736</u>	<u>18,373,977</u>	<u>17,478,318</u>	<u>15,585,095</u>
EXPENDITURES:				
Instruction	9,105,971	10,363,243	10,314,212	9,666,097
Support services	6,435,912	6,818,063	6,585,612	6,713,925
Non-instructional services	114,621	107,566	174,733	162,903
Debt service:				
Principal	178,243	172,284	166,561	161,487
Interest	63,975	87,950	97,809	85,256
Other	<u>600</u>	<u>1,210</u>	<u>650</u>	<u>200</u>
Total Expenditures	<u>15,899,322</u>	<u>17,550,316</u>	<u>17,339,577</u>	<u>16,789,868</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>878,414</u>	<u>823,661</u>	<u>138,741</u>	<u>(1,204,773)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of loans	-	1,650,000	-	470,000
Insurance loss recoveries	18,610	128,591	74,551	27,750
Sale of transportation equipment	-	950	-	-
Sale of other property	-	-	50	1,850
Operating transfers in	51,904	1,754,862	-	-
Operating transfers out	(613,911)	(2,764,324)	(662,042)	(1,032,720)
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,472)</u>
Total Other Financing Sources (Uses)	<u>(543,397)</u>	<u>770,079</u>	<u>(587,441)</u>	<u>(535,592)</u>
NET CHANGE IN FUND BALANCES	335,017	1,593,740	(448,700)	(1,740,365)
FUND BALANCES:				
Beginning of period, as originally reported	953,832	(639,908)	(191,208)	1,549,157
Prior period adjustments	<u>17,888</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of period, as restated	<u>971,720</u>	<u>(639,908)</u>	<u>(191,208)</u>	<u>1,549,157</u>
June 30	<u>\$ 1,306,737</u>	<u>\$ 953,832</u>	<u>\$ (639,908)</u>	<u>\$ (191,208)</u>

*SOURCE-PRIOR YEAR AUDIT REPORTS

TATE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS

"UNAUDITED"

	<u>2010</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>
REVENUES:				
Local sources	\$ 5,551,316	\$ 5,059,872	\$ 4,673,814	\$ 4,405,401
State sources	14,375,881	16,380,731	15,649,190	14,150,017
Federal sources	4,433,817	2,711,931	2,890,039	2,801,282
Total Revenues	24,361,014	24,152,534	23,213,043	21,356,700
EXPENDITURES:				
Instruction	12,706,650	12,560,246	12,353,363	12,195,972
Support services	7,321,722	7,603,240	7,466,750	7,706,437
Non-instructional services	1,536,443	1,655,518	1,727,484	1,450,168
Facilities acquisition and construction	-	718,321	211,652	3,503,725
Debt service:				
Principal	1,520,243	1,395,284	1,386,561	1,257,638
Interest	814,692	1,186,784	958,522	972,461
Other	8,153	13,508	7,992	7,091
Total Expenditures	23,907,903	25,132,901	24,112,324	27,093,492
Excess (Deficiency) of Revenues over (under) Expenditures	453,111	(980,367)	(899,281)	(5,736,792)
OTHER FINANCING SOURCES (USES):				
Proceeds of refunding bonds	-	2,777,000	-	470,000
Proceeds of loans	-	1,650,000	-	-
Insurance loss recoveries	18,610	448,904	74,551	27,750
Sale of transportation equipment	-	950	-	-
Sale of other property	150	-	50	1,850
Operating transfers in	665,815	1,062,362	673,668	1,690,762
Operating transfers out	(665,815)	(1,062,362)	(673,668)	(1,690,762)
Payment to refunded bond escrow agent	-	(2,749,100)	-	-
Other financing uses	-	(27,900)	-	(11,442)
Total Other Financing Sources (Uses)	18,760	2,099,854	74,601	488,158
NET CHANGE IN FUND BALANCES	\$ 471,871	1,119,487	(824,680)	(5,248,634)
FUND BALANCES:				
Beginning of period, as originally reported	1,684,431	576,944	1,411,599	6,647,343
Prior period adjustments	206,290	(5,250)	-	-
Beginning of period, as restated	1,890,721	571,694	1,411,599	6,647,343
Increase (decrease) in reserve for inventory	(1,815)	(6,750)	(9,975)	12,890
June 30	\$ 2,360,777	\$ 1,684,431	\$ 576,944	\$ 1,411,599

*SOURCE-PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

EATON, BABB & SMITH

C E R T I F I E D P U B L I C A C C O U N T A N T S

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

Conservator and School Board
Tate County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2010, which collectively comprise the school district's basic financial statements, and have issued our report thereon dated November 14, 2011. Our report differed from the standard report because of a scope limitation due to inadequate subsidiary records documenting the completeness, existence, and valuation of capital assets as required by accounting principles generally accepted in the United States of America. Except for the scope limitation referred to above, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2010-1 and 2010-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2010-3 and 2010-4 to be significant deficiencies.

Compliance and Other Matters

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

However, we noted a certain immaterial instance of noncompliance or other matter that we reported to management of the school district in a separate letter dated November 14, 2011, which is included in this report.

Tate 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 Tate County School District's responses and, accordingly, we express no opinion on them.

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

Eaton, Babb & Smith

Ripley, Mississippi
November 14, 2011

EATON, BABB & SMITHTM

CERTIFIED PUBLIC ACCOUNTANTS INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Conservator and School Board
Tate County School District

Compliance

We have audited the Tate County School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Tate County School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the 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 of the school district's compliance with those requirements.

In our opinion, the Tate County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

our audit, we considered the Tate 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2010-5, 2010-6, and 2010-7. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Tate 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 Tate County School District's responses and, accordingly, we express no opinion on them.

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

Eaton, Balch & Smith

Ripley, Mississippi
November 14, 2011

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

EATON, BABB & SMITH

C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Conservator and School Board
Tate County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2010, which collectively comprise Tate County School District's basic financial statements and have issued our report thereon dated November 14, 2011. 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), Mississippi Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$8,085 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.

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

Proper Forms Should Be Filed for All Retirees

Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), school districts hiring PERS retirees to file PERS Form 4-B "Certification/Acknowledgement of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our testing of internal controls related to payroll expenditures, no current PERS Form 4-B's could be located for the four PERS retirees selected for testing. Also, we could not verify that the PERS retirees were not paid more than allowed by law as noted on the Form 4-B, since no current forms could be located.

Lack of proper controls related to the payroll cycle resulted in district personnel not filing all of the necessary forms required for PERS service retirees.

The retirees' retirement income could be affected by the district not filing PERS Form 4-B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4-B within five days of re-employment of the service retiree.

Recommendation

We recommend the district implement procedures to ensure that the district files PERS Form 4-B "Certification/Acknowledgement of Re-employment of Retiree" for all PERS service retirees rehired by the school district within five days of the employment and within five days of termination.

School District's Response

The district has changed its procedures concerning human resources so that all personnel documentation related to payroll is kept in the Business Office vault. The payroll bookkeeper is now sending the PERS Form 4-B to the Public Employee's Retirement System and a copy is maintained in their personnel file.

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

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

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

Eaton, Babb & Smith

Ripley, Mississippi
November 14, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**TATE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|---|------------------|
| 1. Type of auditors' report issued on the financial statements: | <u>Qualified</u> |
| 2. Noncompliance material to the financial statements noted? | <u>No</u> |
| 3. Internal control over financial reporting: | |
| a. Material weaknesses identified? | <u>Yes</u> |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | <u>Yes</u> |

Federal Awards:

- | | |
|---|--------------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | <u>Unqualified</u> |
| 5. Internal control over major federal programs: | |
| a. Material weakness identified? | <u>No</u> |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | <u>Yes</u> |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | <u>Yes</u> |
| 7. Federal programs identified as major programs: | |
| a. <u>Title I - Grants to Local Educational Agencies Cluster</u> | |
| CFDA #84.010 CFDA #84.389 | |
| b. <u>State Fiscal Stabilization Fund, Recovery Act</u> | |
| CFDA #84.394 | |
| c. <u>Special Education Cluster</u> | |
| CFDA #84.027 CFDA #84.391 | |
| CFDA #84.173 CFDA #84.392 | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| 9. Auditee qualified as a low-risk auditee? | <u>No</u> |

**TATE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

10. Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133?

No

Section 2: Financial Statement Findings

Significant Deficiencies Considered to be Material Weaknesses

Finding 2010-1: Inadequate Segregation of Duties

Condition: Accounting duties performed by the Business Manager are not adequately segregated. During our audit, we noted that the Business Manager prepares receipts and deposits, makes and posts journal entries, makes electronic transfers, records these transactions, and reconciles the bank statements.

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

Cause: The school district has a limited number of accounting personnel.

Effect: The lack of proper segregation of duties creates an opportunity for misappropriation of assets and subsequent concealment.

Recommendation: We recommend that the district strengthen its internal controls by segregating incompatible accounting functions.

Finding 2010-2: Inadequate Internal Controls Over Capital Assets

Condition: The school district did not maintain adequate subsidiary records documenting the completeness, existence, and valuation of capital assets, which resulting in a qualified auditors' report. During our audit, we noted that a prior period adjustment of \$757,024 was necessary to adjust the prior year balances of capital assets and accumulated depreciation to the district's books. We noted that the current year capital asset additions of \$125,836 had not been capitalized and depreciation expense of \$14,469 had not been recorded prior to our audit.

Criteria: Management is responsible for safeguarding and properly recording all assets of the school district. The Financial Accounting Manual for Mississippi Public School Districts requires that all assets be properly recorded and provides thresholds for capital assets and instructions on the computations to be used for depreciation.

**TATE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Cause: The inadequate capital asset records were caused by the failure of district personnel to reconcile acquisitions and disposals of capital assets to the capital asset records and the failure to complete a physical inventory of capital assets.

Effect: Improper recording of capital assets and related depreciation may cause the financial statements to be misstated.

Recommendation: We recommend that the district complete a detailed physical inventory of capital assets and adjust its capital asset records. We recommend the district implement procedures and internal controls with regard to the purchase, disposal, and depreciation of capital assets as required by the Financial Accounting Manual for Mississippi Public School Districts.

Significant Deficiencies Not Considered to be Material Weaknesses

Finding 2010-3: Activity Fund Bank Statements Not Reconciled

Condition: The activity fund bank statements were not reconciled to the general ledger for eleven of the twelve activity funds at June 30, 2010. The general ledger balances for these eleven funds totaled \$6,463 more than the reconciled bank statement amounts.

Criteria: A critical aspect of internal control is the timely preparation of bank account reconciliations to the general ledger fund.

Cause: District personnel reconciled activity fund bank statements to the school reports rather than to the general ledger.

Effect: Failure to timely prepare monthly bank reconciliations could result in errors or fraud occurring without being detected in a timely manner.

Recommendation: We recommend the district perform monthly reconciliations of bank accounts to the general ledger by fund in order to effectively and timely account for any variances from the activity fund book balances.

**TATE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Finding 2010-4: Inadequate Controls Over Purchasing

Condition: During our tests of internal controls related to 46 expenditures for goods and services, we noted 7 instances in which the purchase orders were obtained after the goods or services were acquired. One of the transactions was for refurbished computers purchased by the Title 1-ARRA federal program in the amount of \$20,300. Two of the transactions, which totaled \$1,314, were for contract services and travel purchased by the Special Education federal program. We also noted that the district did not require purchase orders for goods and services charged to credit cards.

Criteria: Management is responsible for implementing proper controls over expenditures for goods and services.

Cause: The district's internal control procedures did not require the review and approval by management of purchase orders prior to purchases being made.

Effect: Inadequate controls over purchasing increase the risk of unauthorized, inappropriate expenditures being made.

Recommendation: We recommend that the district require purchase orders be reviewed and signed by management before orders are made. Purchase orders should be required for credit card charges.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies Not Considered to be Material Weaknesses

Finding 2010-5: Funds Requested in Excess of the District's Needs

Program: Passed through Mississippi Department of Education:

Special Education Cluster:

Special Education - Grants to States; CFDA #84.027

Special Education - Preschool Grants; CFDA #84.173

Compliance Requirement: Cash Management

Condition: The district requested federal funds in excess of its immediate needs from the Mississippi Department of Education for Special Education - Grants to States for five months. The average end-of-month cash balance for the five months was \$52,229. In addition, the district requested excess federal funds for Special Education - Preschool Grants for eleven months. The average end-of-month cash balance for the eleven months was \$6,205. There was no excess cash in these funds at June 30, 2010.

**TATE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Criteria: The district is responsible for establishing internal controls to provide reasonable assurance that the drawdown of federal cash is only for immediate cash needs.

Cause: Adequate controls were not in place to ensure that funds drawn down from federal programs were for the district's immediate needs.

Effect: Inadequate controls for requesting federal funds from the Mississippi Department of Education prior to the immediate needs could result in noncompliance with the federal program's requirements.

Recommendation: We recommend the district implement policies and procedures to ensure compliance with the cash management requirement for federal program funds, which requires the district to minimize the amount of time program funds are held before disbursement.

Finding 2010-6: Lack of Verification That Contractor Is Not Suspended or Debarred

Program: Passed through Mississippi Department of Education:

ARRA Title 1-Grants to Local Educational Agencies; CFDA 84.389

Compliance Requirement: Procurement, Suspension and Debarment

Condition: The school district did not perform a verification check on the General Services Administration's Excluded Parties List System (EPLS) before its ARRA Title 1 program contracted with a company for educational software and training. The company was not listed on the EPLS.

Criteria: The district is required to verify contractors and vendors are not suspended or debarred from doing business with the federal government by determining a contractor or vendor is not listed on the EPLS.

Cause: Adequate controls were not in place to ensure that vendors and contractors of the district paid with federal funds are not suspended or debarred.

Effect: Inadequate controls over verification of vendors and contracts could result in noncompliance with the federal program's requirements.

Recommendation: We recommend the district implement policies and procedures to ensure compliance with the procurement, suspension, and debarment requirements for federal program funds, which require verification that vendors and contractors are not suspended or debarred.

**TATE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30,2010**

Finding 2010-7: Alteration of Title 1- ARRA Purchase Order

Program: Passed through Mississippi Department of Education:

ARRA Title 1-Grants to Local Educational Agencies; CFDA 84.389

Compliance Requirement: Procurement

Condition: The school district purchased refurbished computers from a Canadian company for its ARRA Title 1 program. District personnel later learned of the ARRA "Buy American" requirements and changed the vendor's name on two purchase orders to that of the vendor's American parent company prior to an ARRA Title 1 monitoring visit by the Mississippi State Auditor's Office. The monitor determined that the purchases from the Canadian company were in compliance with the "Buy American" requirements. In addition, the purchase orders for these goods were obtained after the purchases were made. This is noted in Finding 2010-4.

Criteria: Management is responsible for implementing proper controls over expenditures and for maintaining complete records, including original source documents.

Cause: The district's internal control procedures did not require the review and approval by management of purchase orders prior to purchases being made. In addition, the federal programs director did not fully understand the ARRA "Buy American" provisions.

Effect: Inadequate controls over procurement with federal funds increase the risk of unauthorized, inappropriate expenditures being made.

Recommendation: We recommend that the district require purchase orders be received and signed by appropriate supervisory personnel before orders are made. Management should strictly prohibit any alterations of source documents.

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR AUDIT FINDINGS

Tate County School District



Leroy Crockett Building
107 Court Street
Senatobia, Mississippi 38668
Telephone (662) 562-5861
Fax (662) 562-8518

November 1, 2011

Eaton, Babb, and Smith, P.A.
Attn: Sue Ellen Babb, CPA
P. O. Box 498
Ripley, Mississippi 38663

As required by Section .315(c) of OMB Circular A-133 the Tate County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned costs for the year ended June 30, 2010:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2010-01.	<p>a. Name of Contact Person Responsible for Corrective Action: Jennifer Rhodes, Business Administrator, 662-562-5861</p> <p>b. Corrective Action Planned: When the district went into a deficit, the Business Office staff was reduced from four to two employees. In July, 2011, the Business Office hired an additional employee who is training to do purchasing, accounts payable and fixed assets. We are working on further segregation of duties concerning receipts, posting, making transfers and doing bank reconciliations now that the Business Office has three employees.</p> <p>c. Anticipated Completion Date: February, 2012</p>
2010-02.	<p>a. Name of Contact Person Responsible for Corrective Action: Jennifer Rhodes, Business Administrator, 662-562-5861</p> <p>b. Corrective Action Planned: The district has contracted with a former auditor to help lead the district in creating a plan for implementing and maintaining a fixed and capital asset system. The district has purchased a bar code tagging system and scanning</p>

all assets and emphasizing the importance of maintaining locations in conjunction with the school level employees. The district is also cleaning out old unusable property and holding surplus property bids to assist in this process.

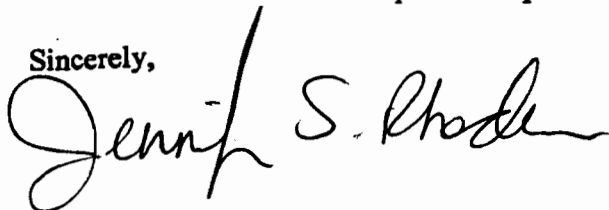
- c. Anticipated Completion Date: January 31, 2012.
- 2010-03.
 - a. Name of Contact Person Responsible for Corrective Action:
Jennifer Rhodes, Business Administrator, 662-562-5861
 - b. Corrective Action Planned: All activity funds are now being reconciled to the general ledger once this oversight was discovered. Journal entries necessitated by closing schools caused the school reports to be inaccurate.
 - c. Anticipated Completion Date: June 30, 2011
- 2010-04.
 - a. Name of Contact Person Responsible for Corrective Action:
Jennifer Rhodes, Business Administrator, 662-562-5861
 - b. Corrective Action Planned: All credit cards were destroyed in May, 2010. All goods and services purchased are required to have a purchase order approved by the district purchasing agent and the MDE Financial Consultant before any purchase is made. The only purchase orders that are completed once the invoice arrives are utilities and contracted items.
 - c. Anticipated Completion Date: December 16, 2011.
- 2010-05.
 - a. Name of Contact Person Responsible for Corrective Action:
Jennifer Rhodes, Business Administrator, 662-562-5861
 - b. Corrective Action Planned: All requests for funds are now completed by the Business Administrator and the MDE Financial Consultant. During the 2009-2010 fiscal year, the federal program offices were responsible for requests for funds. The current general ledger is now used to determine the funds requested. Reports are generated and maintained to support the amounts requested.
 - c. Anticipated Completion Date: May, 2010.
- 2010-06.
 - a. Name of Contact Person Responsible for Corrective Action:
Jennifer Rhodes, Business Administrator, 662-562-5861

- b. **Corrective Action Planned:** All ARRA purchases now require the office entering the purchase requisition to obtain a verification check for the Excluded Parties List prior to the purchase order being issued. The documentation is now attached to the purchase order.
- c. **Anticipated Completion Date:** September, 2010.

2010-07.

- a. **Name of Contact Person Responsible for Corrective Action:**
Jennifer Rhodes, Business Administrator, 662-562-5861
- b. **Corrective Action Planned:** The federal programs director has been admonished for changing purchase orders and other documents when they were discovered during the ARRA Title 1 monitoring visit by the Office of the State Auditor. The federal programs director is not a purchasing agent and has no purchasing authority. No documentation in the Business Office was adjusted and the Business Office was unaware that documentation in the federal programs office had been changed. In addition, the federal programs director and her assistant were given directions on the purchasing procedures.
- c. **Anticipated Completion Date:** August, 2010.

Sincerely,



Jennifer S. Rhodes
School Business Administrator

Tate County School District



Leroy Crockett Building
107 Court Street
Senatobia, Mississippi 38668
Telephone (662) 562-5861
Fax (662) 562-8516

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section .315 of OMB Circular A-133, the Tate County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2010.

<u>Finding</u>	<u>Status</u>
2009-1	Corrected