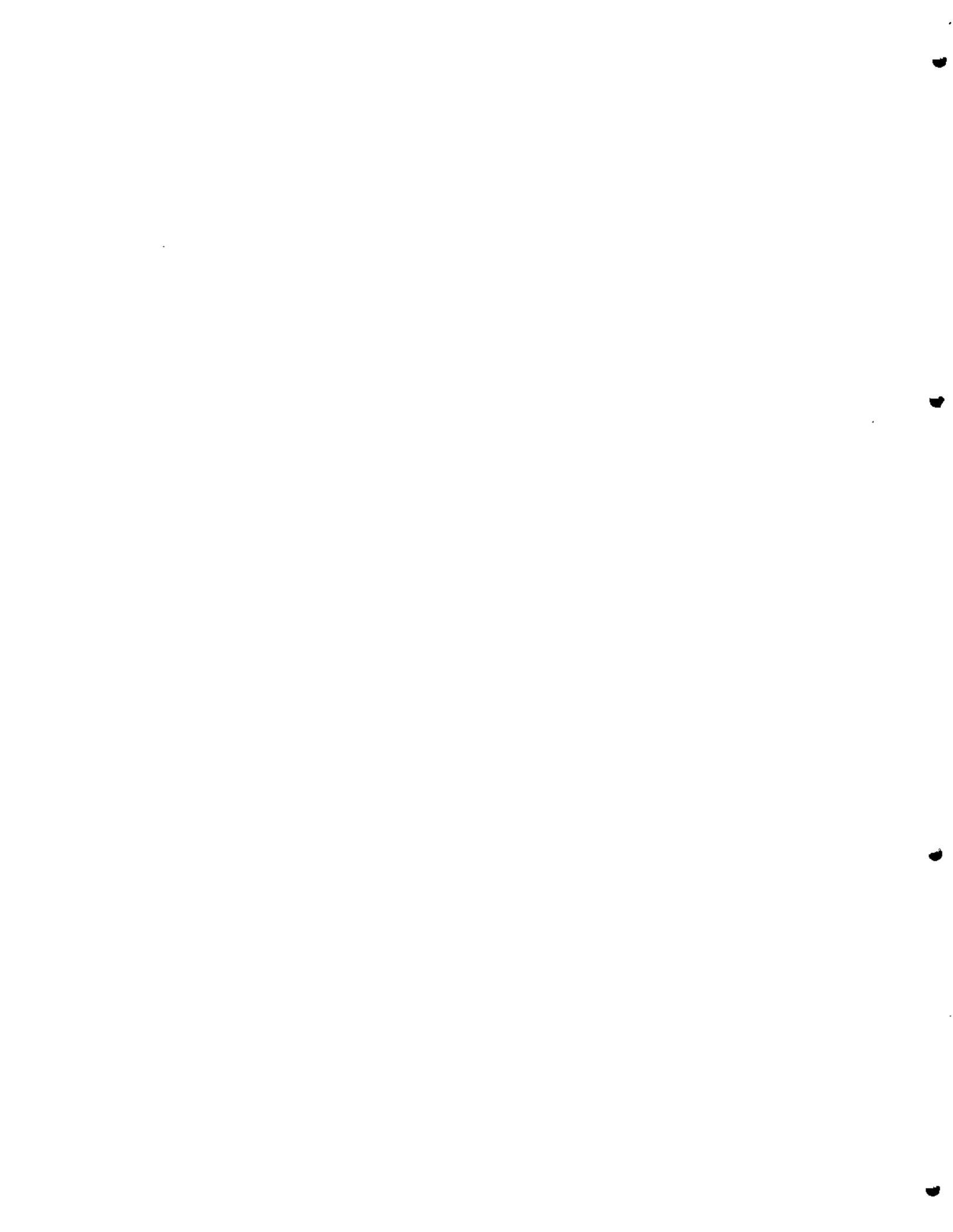




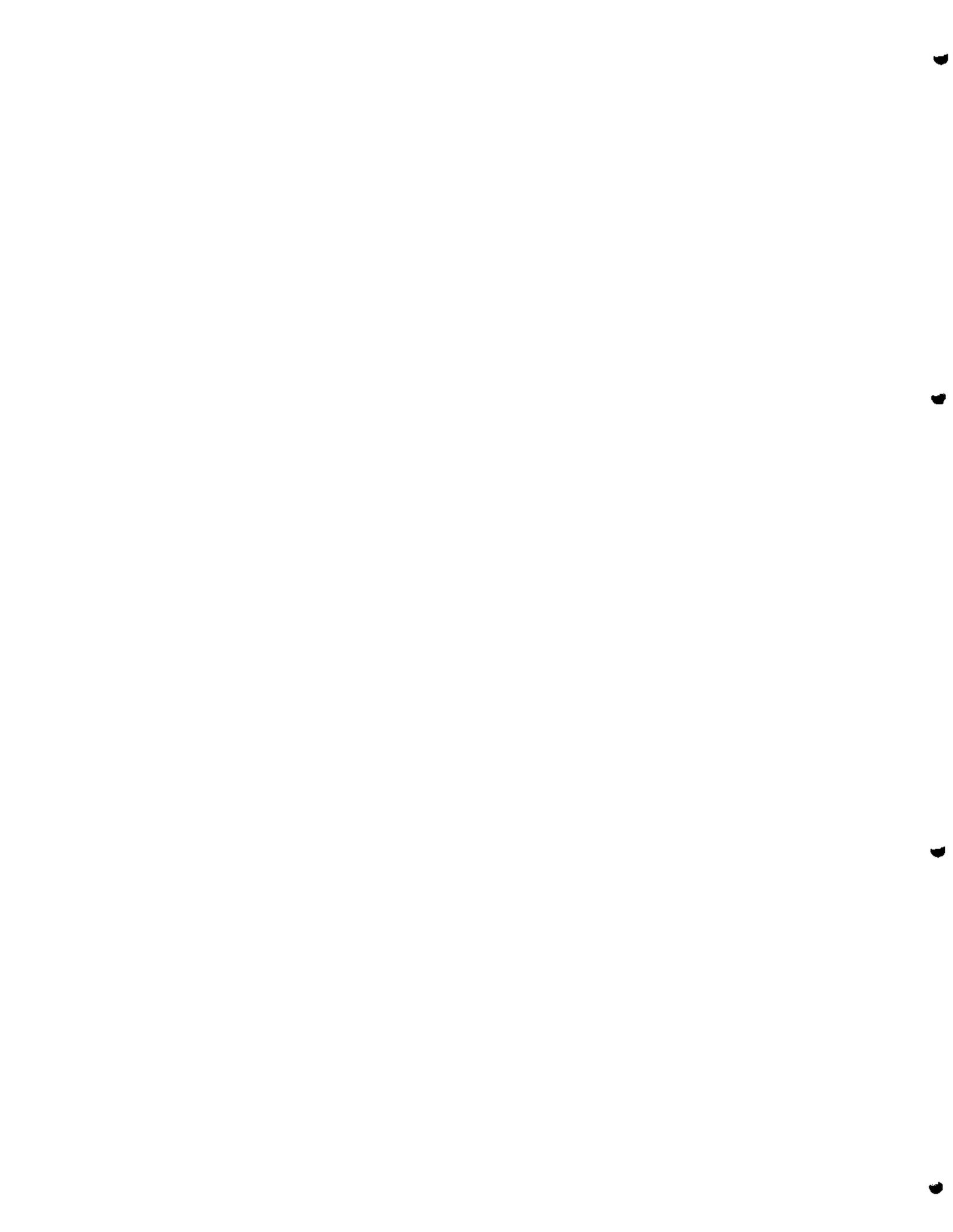
The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**ALCORN SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**



**ALCORN SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2008**

	<u>Page</u>
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Combined Balance Sheet - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Fiduciary Net Assets	15
Statement of Changes in Fiduciary Net Assets	16
Notes to Financial Statements	17-30
Required Supplementary Information	
Budgetary Comparison Schedule for the General Fund	31
Notes to the Required Supplementary Information	32
Other Supplemental Information	
Schedule of Expenditures of Federal Awards	33
Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds	34
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds - Last Four Years	35
Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund - Last Four Years	36
Reports on Compliance and Internal Control	
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 <i>Government Auditing Standards</i>	37-38
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	39-40
Independent Auditors' Report on Compliance with State Laws and Regulations	41-43
Schedule of Findings and Questioned Costs	44-45





CERTIFIED PUBLIC ACCOUNTANTS
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA
Christopher D. Murphy, CPA

512 Taylor Street
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

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

Superintendent and School Board
Alcorn School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2010, on our consideration of the Alcorn School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedule and corresponding notes on pages 31 and 32 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Branan Vanston & Company, P. A.

April 30, 2010
Corinth, Mississippi

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

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

FINANCIAL HIGHLIGHTS

Total net assets increased \$38,088, which represents a 0.37% increase from fiscal year 2007.

General revenues account for \$26,904,123 in revenue, or 85.01% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,744,100 or 14.99 % of total revenues.

The District had \$31,610,135 in expenses; only \$4,744,100 of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues of \$26,904,123 were adequate to provide for the remainder of these programs, and the District was able to increase net assets by \$38,088.

Among major funds, the General Fund had \$25,907,538 in revenues and \$25,813,468 in expenditures. The General Fund's fund balance increased \$225,387 from the prior year, including a prior period adjustment of \$23,949.

Capital assets, net of accumulated depreciation, increased by \$1,563,542.

Long-term debt decreased by \$659,432.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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.

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

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

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as Other Governmental Funds.

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

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund. There were no major Special Revenue funds.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found in this report. The following schedules can also be found in this report: the Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds; the Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds - Last Four Years; and the Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund - Last Four Years.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$10,370,279 as of June 30, 2008.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets. Table 1 presents a summary of the District's net assets at June 30, 2008, compared to June 30, 2007.

Table 1 - Condensed Statement of Net Assets

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Current Assets	\$ 5,439,641	\$ 6,067,209	\$ (627,568)	-10.34%
Capital Assets, Net	17,208,846	15,645,304	1,563,542	9.99%
Total Assets	22,648,487	21,712,513	935,974	4.31%
Current Liabilities	3,656,676	2,099,358	1,557,318	74.18%
Long-Term Debt Outstanding	8,621,532	9,280,964	(659,432)	-7.11%
Total Liabilities	12,278,208	11,380,322	897,886	7.89%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	9,025,154	6,637,846	2,387,308	35.97%
Restricted	1,184,027	3,594,301	(2,410,274)	-67.06%
Unrestricted	161,098	100,044	61,054	61.03%
Total Net Assets	\$ 10,370,279	\$ 10,332,191	\$ 38,088	0.37%

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008, were \$31,648,223. The total cost of all programs and services was \$31,610,135. Table 2 presents a summary of the changes in net assets for the fiscal year ended June 30, 2008, compared to the fiscal year ended June 30, 2007:

Table 2 - Changes in Net Assets

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues				
Charges for Services	\$ 473,267	\$ 490,354	\$ (17,087)	-3.48%
Operating Grants and Contributions	4,270,833	4,438,776	(167,943)	-3.78%
General Revenues				
Property Taxes	5,184,016	4,398,504	785,512	17.86%
Grants and Other Contributions				
Not Restricted	20,343,627	18,629,591	1,714,036	9.20%
Other	1,376,480	1,411,609	(35,129)	-2.49%
Total Revenues	31,648,223	29,368,834	2,279,389	7.76%
Expenses:				
Instruction	20,215,429	19,689,313	526,116	2.67%
Support Services	9,452,377	9,425,029	27,348	0.29%
Non-Instructional	1,648,119	1,649,899	(1,780)	-0.11%
Interest on Long-Term Liabilities	294,210	203,363	90,847	44.67%
Total Expenses	31,610,135	30,967,604	642,531	2.07%
Increase (Decrease) in Net Assets	\$ 38,088	\$ (1,598,770)	\$ 1,636,858	102.38%

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

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

Net Cost of Governmental Activities						
	<u>Total Expenses</u>		Total Percentage Change	<u>Net (Expense) Revenue</u>		Total Percentage Change
	2008	2007		2008	2007	
Instruction	\$ 20,215,429	\$ 19,689,313	2.67%	\$ (18,147,187)	\$ (17,446,786)	4.01%
Support Services	9,452,377	9,425,029	0.29%	(8,448,359)	(8,363,685)	1.01%
Non-Instructional	1,648,119	1,649,899	-0.11%	23,721	(24,640)	-196.27%
Interest on Long-Term Liabilities	294,210	203,363	44.67%	(294,210)	(203,363)	44.67%
Total Expenses	\$ 31,610,135	\$ 30,967,604	2.07%	\$ (26,866,035)	\$ (26,038,474)	3.18%

The net cost of governmental activities, \$26,866,035, was financed by general revenue, which is made up of primarily property and privilege taxes of \$5,184,016 and state revenue of \$20,006,031.

Investment earnings accounted for \$216,423 of general revenues.

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, outflow and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,746,311, a decrease of \$2,228,645. \$798,501 or 45.73% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$947,810 or 54.27% 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 \$201,438, excluding a prior period adjustment of \$23,949. The fund balance of Other Governmental Funds showed a decrease of \$2,417,199, excluding a decrease in the reserve for inventory of \$12,884.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant changes are noted below.

General Fund

Budgeted revenues were adjusted to reflect an increase in local revenues and a decrease in state revenues. Expenditures were adjusted to reflect a reduction in staff and other expenses by a new administration .

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. There were no major Special Revenue funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$34,270,274, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$2,334,909 from the previous year. Total accumulated depreciation as of June 30, 2008, was \$17,061,428 and total depreciation expense for the year was \$771,367, resulting in total net capital assets of \$17,208,846.

Additional information of the District's capital assets can be found in this report. Table 4 shows fiscal year ended June 30, 2008, as compared to fiscal year ended June 30, 2007.

**Table 4
Capital Assets at June 30, 2008 and 2007 (Net of Depreciation)**

	2008	2007	Increase (Decrease)	Increase (Decrease)
Land	\$ 241,802	\$ 241,802	\$ -	0.00%
Construction in Progress	20,370	185,850	(165,480)	-89.04%
Buildings	14,533,739	12,473,805	2,059,934	16.51%
Building Improvements	1,389,158	1,464,962	(75,804)	-5.17%
Mobile Equipment	338,484	464,501	(126,017)	-27.13%
Furniture and Equipment	112,026	155,229	(43,203)	-27.83%
Leased Property Under Capital Assets	573,267	659,155	(85,888)	-13.03%
Totals	\$ 17,208,846	\$ 15,645,304	1,563,542	9.99%

Debt Administration. At June 30, 2008, the District had \$8,621,532 in long-term debt outstanding, of which \$608,158 is due within one year.

Table 5 shows fiscal year ended June 30, 2008, as compared to fiscal year ended June 30, 2007:

**Table 5
Long-Term Debt Outstanding as of June 30, 2008 and June 30, 2007**

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Limited Obligation Bonds Payable	\$ 4,980,000	\$ 5,320,000	\$ (340,000)	-6.39%
Three-Mill Note Payable	2,600,000	3,000,000	(400,000)	-13.33%
Obligations Under Capital Leases	721,108	817,126	(96,018)	-11.75%
Compensated Absences Payable	437,840	273,506	164,334	60.08%
	8,738,948	9,410,632	(671,684)	-7.14%
Less Deferred Refunded Amounts	(117,416)	(129,668)	12,252	9.45%
Total	\$ 8,621,532	\$ 9,280,964	\$ (659,432)	-7.11%

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

CURRENT ISSUES

The Alcorn School District has increased its millage rate by 3.14 mills, from 48.37 to 51.51 mills. Due to a deteriorating financial condition, the new administration, which took office in January 2008, was forced to make drastic reductions in staff and other expenses going into the next fiscal year.

The latest enrollment figures indicate that student enrollment in the District will remain steady. Therefore, no decrease in funds for the following year is expected.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Alcorn School District, P.O. Box 1420, Corinth, MS 38835.

ALCORN SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents (Note 2)	\$ 3,961,625
Investments (Note 2)	196,761
Due from other governments	1,132,103
Due from other funds	18,836
Inventories	35,011
Debt issue costs, net of accumulated amortization	95,305
Capital Assets, not being depreciated	
Land	241,802
Construction in process	20,370
Capital Assets, net of accumulated depreciation	
Buildings	14,533,739
Building improvements	1,389,158
Mobile equipment	338,484
Furniture and equipment	112,026
Lease property under capital leases	573,267
Total Assets	22,648,487
LIABILITIES	
Accounts payable and accrued liabilities	83,521
Short-term debt	3,500,000
Unearned revenue	14,504
Interest payable on long term liabilities	54,003
Premium on debt issuance, net of accumulated amortization	4,648
Long-term liabilities, due within one year	
Capital related liabilities (Note 5)	608,158
Long-term liabilities, due beyond one year	
Capital related liabilities (Note 5)	7,575,534
Non-capital related liabilities (Note 5)	437,840
Total Liabilities	12,278,208
NET ASSETS	
Invested in capital assets, net of related debt	9,025,154
Restricted net assets:	
Expendable	
School-based activities	234,574
Debt service	880,350
Unemployment benefits	69,103
Unrestricted	161,098
Total Net Assets	\$ 10,370,279

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

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

Functions/Programs	Expenses	Program Revenues		Total	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 20,215,429	\$ 42,101	\$ 2,026,141	\$ -	\$ (18,147,187)
Support services	9,452,377	1,681	1,002,337	-	(8,448,359)
Non-instructional	1,648,119	429,485	1,242,355	-	23,721
Interest on long-term liabilities	294,210	-	-	-	(294,210)
Total governmental activities	\$ 31,610,135	\$ 473,267	\$ 4,270,833	\$ -	(26,866,035)
General Revenues					
Taxes:					
					4,837,272
					346,744
Unrestricted Grants and Contributions					
					20,006,031
					337,596
					216,423
					1,160,057
					<u>26,904,123</u>
					38,088
					<u>10,332,191</u>
					<u>\$ 10,370,279</u>

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

ALCORN SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
ASSETS			
Cash and Cash Equivalents (Note 2)	\$ 3,275,715	\$ 685,910	\$ 3,961,625
Investments (Note 2)	-	196,761	196,761
Due from Other Governments	369,567	762,536	1,132,103
Due From Other Funds (Note 3)	454,175	-	454,175
Inventories	-	35,011	35,011
Total Assets	\$ 4,099,457	\$ 1,680,218	\$ 5,779,675
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 519	\$ 83,002	\$ 83,521
Short-Term Debt	3,500,000	-	3,500,000
Due To Other Funds (Note 3)	-	435,339	435,339
Unearned Revenue	-	14,504	14,504
Total Liabilities	3,500,519	532,845	4,033,364
Fund Balances			
Reserved for:			
Inventory	-	35,011	35,011
Unemployment	-	69,103	69,103
Debt Service Funds	-	843,696	843,696
Unreserved:			
Undesignated, Reported in:			
General Fund	598,938	-	598,938
Special Revenue Funds	-	199,563	199,563
Total Fund Balances	598,938	1,147,373	1,746,311
Total Liabilities and Fund Balances	\$ 4,099,457	\$ 1,680,218	\$ 5,779,675

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

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,746,311
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities, are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$17,061,428 (Note 4).	17,208,846
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds (Note 5).	(8,621,532)
3. Interest payable on long-term liabilities not due and payable in the current period and therefore not reported in the funds	(54,003)
4. Premiums on debt issuance are recorded as an other financing source in the governmental funds; however, they are recorded as a liability and amortized in the government-wide statements.	(4,648)
5. Debt issue costs are recorded as expenditures in the governmental funds; however they are capitalized and amortized in the government-wide statements.	<u>95,305</u>
Total Net Assets - Governmental Activities	<u>\$ 10,370,279</u>

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

ALCORN SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds	Other	Total
	General Fund	Governmental Funds	Governmental Funds
Revenues			
Local Sources	\$ 6,121,017	\$ 902,706	\$ 7,023,723
State Sources	19,448,925	1,526,785	20,975,710
Federal Sources	337,596	3,301,155	3,638,751
Total Revenues	25,907,538	5,730,646	31,638,184
Expenditures			
Instruction	17,390,929	2,168,090	19,559,019
Support Services	8,254,081	944,161	9,198,242
Non-Instructional Services	34,375	1,575,707	1,610,082
Facilities Acquisition and Construction	861	2,334,048	2,334,909
Debt Service:			
Principal	96,018	740,000	836,018
Interest	37,204	288,513	325,717
Total Expenditures	25,813,468	8,050,519	33,863,987
Excess (Deficiency) of Revenues Over Expenditures	94,070	(2,319,873)	(2,225,803)
Other Financing Sources (Uses)			
Insurance Loss Recoveries	10,042	-	10,042
Operating Transfers In (Note 3)	254,289	156,963	411,252
Operating Transfers Out (Note 3)	(156,963)	(254,289)	(411,252)
Total Other Financing Sources (Uses)	107,368	(97,326)	10,042
Net Change in Fund Balances	201,438	(2,417,199)	(2,215,761)
Fund Balances:			
Beginning of Year	373,551	3,601,405	3,974,956
Prior Period Adjustment	23,949	(23,949)	-
Beginning of Year as Restated	397,500	3,577,456	3,974,956
Decrease in Reserve for Inventory	-	(12,884)	(12,884)
End of Year	\$ 598,938	\$ 1,147,373	\$ 1,746,311

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

ALCORN SCHOOL DISTRICT

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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (2,215,761)
Amounts reported for governmental activities in the statement of activities are different because:	
1 Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$2,334,909 and the depreciation expense amounted to \$ 771,367 (Note 4).	1,563,542
2 Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	836,018
3 Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are increased in the statement of activities	(12,884)
4 An increase in the liability for compensated absences is reported as an expense in the statement of activities, but not in the governmental funds.	(164,334)
5 Interest on long-term liabilities is recorded in the governmental funds when the payment is due, but is expensed in the statement of activities as accrued.	52,515
6 Debt issue costs are recorded as expenditures in the governmental funds; however, they are capitalized and amortized in the government-wide statements.	<u>(21,008)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 38,088</u></u>

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

ALCORN SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 10,712	\$ 1,731,253
TOTAL ASSETS	<u>\$ 10,712</u>	<u>\$ 1,731,253</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,547,244
Due to Other Funds	-	18,836
Due to Student Groups	-	165,173
TOTAL LIABILITIES	<u>-</u>	<u>\$ 1,731,253</u>
NET ASSETS		
Reserved for Endowments	<u>10,712</u>	
TOTAL NET ASSETS	<u>\$ 10,712</u>	

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

ALCORN SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Interest on Investments	\$ 466
TOTAL ADDITIONS	<u>466</u>
DEDUCTIONS	
Scholarships Awarded	<u>-</u>
TOTAL DEDUCTIONS	<u>-</u>
CHANGE IN NET ASSETS	466
NET ASSETS-BEGINNING OF YEAR	<u>10,246</u>
NET ASSETS-END OF THE YEAR	<u>\$ 10,712</u>

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

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Basis of Presentation

Government-Wide Financial Statements:

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

The Statement of Net Assets presents the District's 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 for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Private-Purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations, or other governments.

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 operation.

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 the 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.

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

D. Account Classifications

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

E. Encumbrances

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

ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Net Assets or Equity

1. Cash, Cash equivalents, and Investments

Cash and Cash equivalents.

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

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

Investments.

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

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

Investments are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Net Assets or Equity (Continued)

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.

6. Capital Assets

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	\$ -	-
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

7. Compensated Absences

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

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

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Net Assets or Equity (Continued)

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 approximate 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 is a description of fund reserves used 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 funds which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

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

(2) Cash and Cash Equivalents, and Investments

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

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

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(2) Cash and Cash Equivalents, and Investments (Continued)

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was \$3,961,625 and \$1,741,965, respectively. The bank balance was \$6,969,463.

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 formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$6,969,463 was exposed to custodial credit risk.

Investments

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

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Market Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	Less than 1	\$ 196,761	AAA
Total Investments		<u>\$ 196,761</u>	

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

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

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(2) Cash and Cash Equivalents, and Investments (Continued)

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

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent (5.00%) or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had no investments requiring such disclosure.

(3) Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 435,339
General Fund	Fiduciary Funds	<u>18,836</u>
Total		<u>\$ 454,175</u>

B. Interfund Transfers

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 156,963
Other Governmental Funds	General Fund	<u>254,289</u>
Total All Funds		<u>\$ 411,252</u>

The transfer from the General Fund to Other Governmental Funds in the amount of \$156,963 was to support the Vocational Fund (\$71,963) and the Cafeteria Fund (\$85,000). The transfers out of the Other Governmental Funds were to reimburse the District Maintenance Fund for various expenditures that should have been paid from those funds.

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(4) Capital Assets

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

Governmental Activities:	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance 6/30/08</u>
<u>Non-Depreciable Capital Assets</u>					
Land	\$ 241,802	\$ -	\$ -	\$ -	\$ 241,802
Construction in Progress	185,850	2,334,909	-	(2,500,389)	20,370
Total Non-Depreciable Capital Assets	427,652	2,334,909	-	(2,500,389)	262,172
<u>Depreciable Capital Assets:</u>					
Buildings	25,795,945	-	-	2,500,389	28,296,334
Building Improvements	1,895,090	-	-	-	1,895,090
Mobile Equipment	2,133,235	-	-	-	2,133,235
Furniture and Equipment	729,129	-	-	-	729,129
Leased Property Under Capital Leases	954,314	-	-	-	954,314
Total Depreciable Capital Assets	31,507,713	-	-	2,500,389	34,008,102
<u>Less Accumulated Depreciation for:</u>					
Buildings	13,322,140	440,455	-	-	13,762,595
Building Improvements	430,128	75,804	-	-	505,932
Mobile Equipment	1,668,734	126,017	-	-	1,794,751
Furniture and Equipment	573,900	45,203	-	-	617,103
Leased Property Under Capital Leases	295,159	85,888	-	-	381,047
Total Accumulated Depreciation	16,290,061	771,367	-	-	17,061,428
Total Depreciable Capital Assets, Net	15,217,652	(771,367)	-	2,500,389	16,946,674
Governmental Activities Capital Assets, Net	\$ 15,645,304	\$ 1,563,542	\$ -	\$ -	\$ 17,208,846

Depreciation expense was charged to the following governmental functions:

<u>Governmental Activities</u>	<u>Amount</u>
Instruction	\$ 512,371
Support Services	236,140
Non-Instructional	22,856
Total Depreciation Expense	\$ 771,367

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(5) Long-Term Liabilities

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts Due Within One Year
A. Limited Obligation Bonds Payable	\$ 5,320,000	\$ -	\$ 340,000	\$ 4,980,000	\$ 365,000
Less Deferred Refunded Amounts	(129,668)	-	(12,252)	(117,416)	(12,252)
B. Three Mill Note Payable	3,000,000	-	400,000	2,600,000	155,000
C. Obligations Under Capital Lease	817,126	-	96,018	721,108	100,410
D. Compensated Absenees Payable	273,506	164,334	-	437,840	-
Total	\$ 9,280,964	\$ 164,334	\$ 823,766	\$ 8,621,532	\$ 608,158

A. Limited Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 1998	4.30 - 6.00%	5/1/1998	2/1/2018	\$ 6,895,000	\$ 345,000
State Aid Capital Improvement Refunding Bonds, Series 2006	3.625 - 4.00%	12/19/2006	2/1/2018	4,635,000	4,635,000
Total				\$ 11,530,000	\$ 4,980,000

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 37-151-7, Miss. Code Ann. (1972). The State Aid Capital Improvement Bonds are not included in the computation of the debt limit percentage.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 365,000	\$ 185,727	\$ 550,727
2010	395,000	169,880	564,880
2011	410,000	153,780	563,780
2012	425,000	137,080	562,080
2013	445,000	119,680	564,680
2014 - 2018	2,940,000	325,413	3,265,413
	\$ 4,980,000	\$ 1,091,560	\$ 6,071,560

This debt will be retired from the MAEP Retirement Fund.

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(5) Long-Term Liabilities (Continued)

B. Three Mill Notes Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2007	4.75%	5/22/2007	9/1/2022	\$ 3,000,000	\$ 2,600,000
Total				\$ 3,000,000	\$ 2,600,000

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 155,000	\$ 101,804	\$ 256,804
2010	160,000	95,504	255,504
2011	165,000	89,004	254,004
2012	170,000	82,304	252,304
2013	175,000	75,404	250,404
2014 - 2018	855,000	271,219	1,126,219
2019 - 2023	920,000	98,057	1,018,057
Total	\$ 2,600,000	\$ 813,296	\$ 3,413,296

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

C. Obligation Under Capital Leases.

The school district has entered into two lease agreements that qualify as capital leases for accounting purposes. Leased property under this lease is composed of:

1. Nine school buses
2. Nine school buses and HVAC equipment

The option available to the lessee for these leases is as follows: Title shall be vested in the school district as long as the district is not in default under the agreement.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 100,410	\$ 32,813	\$ 133,223
2010	105,005	28,217	133,222
2011	109,813	23,409	133,222
2012	114,844	18,379	133,223
2013	118,967	13,114	132,081
2014 - 2016	172,069	16,106	188,175
Total	\$ 721,108	\$ 132,038	\$ 853,146

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(5) Long-Term Liabilities (Continued)

D. Compensated Absences Payable.

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

(6) Prior Year Defeasance of Debt

In prior years the Alcorn School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$4,415,000 of bonds outstanding are defeased.

(7) Short-term Financing

A. Bank-financed short term debt.

The Alcorn School District issued a revenue anticipation note payable to Trustmark National Bank, and the proceeds from such issuance are accounted for as a current liability in the General Fund of the school district. Once the cash flow was available the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2008 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>
Tax Anticipation Note	3.15%	1/31/2008	2/2/2009	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>

(8) 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 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Alcorn School District's contributions to PERS for the years ending June 30, 2008, 2007, and 2006, were \$2,252,800, \$2,071,250, and \$1,887,901, respectively, which equaled the required contributions for each year.

**ALCORN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(9) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

<u>Major Funds</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Reimbursement of prior year expenditures paid from wrong fund	<u>\$ 23,949</u>
Other Governmental Funds	Reimbursement of prior year expenditures paid from wrong fund	<u>\$ (23,949)</u>

(10) Risk Management

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

(11) 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.

(12) Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984, creating the Alcorn County Vocational Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Alcorn School District and Corinth School District. The Center's name has been changed to the Alcorn Career and Technology Center.

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

The Alcorn School District has been designated as the fiscal agent for the Alcorn Career and Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenue, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Alcorn Career and Technology Center.

ALCORN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

(12) Vocational School Consortium (Continued)

Revenue	
Local Sources	
Tuition from other LEA's within the state:	
Corinth School District	\$ 42,101
Interest	1,038
State Sources	747,637
Federal Sources	44,824
Total Revenues	<u>835,600</u>
 Expenditures	
Salaries	717,337
Employee benefits	139,520
Supplies	558
Property	94,509
Other objects	900
Total Expenditures	<u>952,824</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>(117,224)</u>
 Other Financing Sources (Uses)	
Operating transfers In	71,963
Total Other Financing Sources (Uses)	<u>71,963</u>
 Net Change in Fund Balance	 (45,261)
 Fund Balances	
July 1, 2007	<u>128,706</u>
June 30, 2008	<u>\$ 83,445</u>

ALCORN SCHOOL DISTRICT
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ 5,607,410	\$ 6,113,838	\$ 6,121,017	\$ 506,428	\$ 7,179
State Sources	20,037,355	19,448,925	19,448,925	(588,430)	-
Federal Sources	316,206	337,596	337,596	21,390	-
Total Revenues	25,960,971	25,900,359	25,907,538	(60,612)	7,179
Expenditures					
Instruction	17,655,962	17,390,929	17,390,929	265,033	-
Support Services	8,991,199	8,254,081	8,254,081	737,118	-
Noninstructional Services	35,100	34,018	34,375	1,082	(357)
Facilities Acquisition & Construction	7,000	861	861	6,139	-
Debt Service				-	-
Principal	96,018	96,018	96,018	-	-
Interest	37,204	37,204	37,204	-	-
Total Expenditures	26,822,483	25,813,111	25,813,468	1,009,372	(357)
Excess (Deficiency) of Revenues over Expenditures	(861,512)	87,248	94,070	948,760	6,822
Other Financing Sources (Uses)					
Insurance Loss Recoveries	-	10,042	10,042	10,042	-
Sale of Transportation Equipment	15,000	-	-	(15,000)	-
Operating Transfers In	2,585,454	261,468	254,289	(2,323,986)	(7,179)
Operating Transfers Out	(2,619,759)	(156,963)	(156,963)	2,462,796	-
Total Other Financing Sources (Uses)	(19,305)	114,547	107,368	133,852	(7,179)
Net Change in Fund Balance	(880,817)	201,795	201,438	1,082,612	(357)
Fund Balances					
Beginning of Year	373,551	373,551	373,551	-	-
Prior Period Adjustment	23,949	23,949	23,949	-	-
Beginning of Year as Restated	397,500	397,500	397,500	-	-
End of Year	\$ (483,317)	\$ 599,295	\$ 598,938	\$ 1,082,612	\$ (357)

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

**ALCORN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 230,689
National school lunch program	10.555	868,467
Total Child Nutrition Cluster		<u>1,099,156</u>
Total Passed-through MDE		<u>1,099,156</u>
Total U.S. Department of Agriculture		<u>1,099,156</u>
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Health and Human Services:		
Medical Assistance Program		
Total U.S. Department of Health and Human Services	93.778	<u>68,036</u>
Federal Communications Commission		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the Universal Service Fund		
Total Federal Communications Commission	32.xxx	<u>109,429</u>
U.S. Department of Education		
Direct		
Fund for the improvement of education	84.215	<u>265,080</u>
Passed-through Corinth School District		
Twenty-first century community learning centers	84.287	<u>21,553</u>
Passed-through Mississippi Department of Education:		
Special Education Cluster		
Special education - grants to states	84.027	791,125
Special education - preschool grants	84.173	25,867
Total Special Education Cluster		<u>816,992</u>
Title I grants to local educational agencies	84.010	620,381
State grants for innovative programs	84.298	1,335
Education technology state grants	84.318	6,169
Improving teacher quality - state grants	84.367	117,143
Career and technical education - basic grants to states	84.048	47,059
Twenty-first century community learning centers	84.287	238,605
Education for homeless children and youth	84.196	28,049
Teacher quality enhancement grants	84.336	46,134
Safe & drug-free schools and communities-state grants	84.186	16,210
Total Passed-through MDE		<u>1,938,077</u>
Total U.S. Department of Education		<u>2,224,710</u>
Total for All Federal Awards		<u>\$ 3,501,331</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.

**ALCORN SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Expenditures:					
Salaries and fringe benefits	\$ 25,466,920	\$ 19,780,092	\$ 422,326	\$ 1,982,467	\$ 3,282,035
Other	<u>8,397,067</u>	<u>1,787,043</u>	<u>440,698</u>	<u>61,997</u>	<u>6,107,329</u>
Total	<u>33,863,987</u>	<u>21,567,135</u>	<u>863,024</u>	<u>2,044,464</u>	<u>9,389,364</u>
Total number of students*	3,740				
Cost per student	<u>\$ 9,055</u>	<u>\$ 5,767</u>	<u>\$ 231</u>	<u>\$ 547</u>	<u>\$ 2,511</u>

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

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

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

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

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

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

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

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues				
Local Sources	\$ 6,121,017	\$ 5,495,350	\$ 5,591,678	\$ 5,521,021
State Sources	19,448,925	17,821,399	17,190,862	15,876,720
Federal Sources	337,596	270,459	209,006	211,145
Total Revenues	25,907,538	23,587,208	22,991,546	21,608,886
Expenditures				
Instruction	17,390,929	16,915,873	15,965,464	15,000,674
Support Services	8,254,081	7,953,780	7,858,551	6,650,369
Non-Instructional Services	34,375	37,678	438	12,732
Facilities Acquisition and Construction	861	-	2,300	159,621
Debt Service:				
Principal	96,018	42,548	-	1,141
Interest	37,204	21,973	-	-
Total Expenditures	25,813,468	24,971,852	23,826,753	21,824,537
Excess (Deficiency) of Revenues Over Expenditures	94,070	(1,384,644)	(835,207)	(215,651)
Other Financing Sources (Uses)				
Inception of capital lease	-	-	497,339	-
Insurance Proceeds	10,042	-	20,532	2,117
Sale of transportation equipment	-	6,850	-	-
Operating Transfers In	254,289	317,776	5,135	3,150
Operating Transfers Out	(156,963)	(225,727)	(104,211)	(6,000)
Total Other Financing Sources (Uses)	107,368	98,899	418,795	(733)
Net Change in Fund Balances	201,438	(1,285,745)	(416,412)	(216,384)
Fund Balances:				
Beginning of Year	373,551	1,659,296	2,075,708	2,292,092
Prior Period Adjustment	23,949	-	-	-
Beginning of Year as Restated	397,500	1,659,296	2,075,708	2,292,092
End of Year	\$ 598,938	\$ 373,551	\$ 1,659,296	\$ 2,075,708

* SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues				
Local Sources	\$ 7,023,723	\$ 6,300,206	\$ 6,380,937	\$ 6,328,731
State Sources	20,975,710	19,267,816	18,802,626	17,396,085
Federal Sources	3,638,751	3,800,553	3,545,238	3,500,873
Total Revenues	31,638,184	29,368,575	28,728,801	27,225,689
Expenditures				
Instruction	19,559,019	19,217,847	18,583,830	17,382,521
Support Services	9,198,242	9,178,418	8,679,207	7,553,950
Non-Instructional Services	1,610,082	1,623,463	1,585,290	1,621,152
Facilities Acquisition and Construction	2,334,909	588,632	2,300	159,621
Debt Service:				
Principal	836,018	649,803	537,812	624,315
Interest	325,717	210,232	296,252	332,409
Other	-	112,273	2,866	-
Total Expenditures	33,863,987	31,580,668	29,687,557	27,673,968
Excess (Deficiency) of Revenues Over Expenditures	(2,225,803)	(2,212,093)	(958,756)	(448,279)
Other Financing Sources (Uses)				
Inception of capital lease	-	-	497,339	-
Insurance Proceeds	10,042	-	20,532	2,117
Proceeds of refunding bonds	-	4,635,000	-	-
Proceeds of loans	-	3,000,000	-	-
Premium on debt issuance	-	5,376	-	-
Sale of transportation equipment	-	6,850	-	-
Other financing sources	-	261	-	-
Payments of refunded bond escrow agent	-	(4,550,795)	-	-
Operating Transfers In	411,252	543,503	109,346	9,150
Operating Transfers Out	(411,252)	(543,503)	(109,346)	(9,150)
Total Other Financing Sources (Uses)	10,042	3,096,692	517,871	2,117
Net Change in Fund Balances	(2,215,761)	884,599	(440,885)	(446,162)
Fund Balances:				
Beginning of Year	3,974,956	3,086,490	3,516,352	3,967,388
Increase (Decrease) in Reserve for Inventory	(12,884)	3,867	11,023	(4,874)
End of Year	\$ 1,746,311	\$ 3,974,956	\$ 3,086,490	\$ 3,516,352

* SOURCE - PRIOR YEAR AUDIT REPORTS



CERTIFIED PUBLIC ACCOUNTANTS
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA
Christopher D. Murphy, CPA

512 Taylor Street
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

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

Superintendent and School Board
Alcorn School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Alcorn School District as of and for the year ended June 30, 2008, which collectively comprise Alcorn School District's basic financial statements and have issued our report thereon dated April 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Alcorn School District's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alcorn 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 is required to be reported under *Government Auditing Standard*. We also noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated April 30, 2010, which is included in this report.

Alcorn School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the school district's response and, accordingly, we express no opinion on it.

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

Braunton Vanston & Company, P. A.

April 30, 2010
Corinth, Mississippi



CERTIFIED PUBLIC ACCOUNTANTS
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA
Christopher D. Murphy, CPA

512 Taylor Street
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

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

Superintendent and School Board
Alcorn School District

Compliance

We have audited the compliance of the Alcorn School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Alcorn 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 Alcorn School District's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

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

Brewer Vermont & Company, P. A.

April 30, 2010
Corinth, Mississippi



CERTIFIED PUBLIC ACCOUNTANTS
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA
Christopher D. Murphy, CPA

512 Taylor Street
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

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

Superintendent and School Board
Alcorn School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Alcorn School District as of and for the year ended June 30, 2008, which collectively comprise Alcorn School District's basic financial statements and have issued our report thereon dated April 30, 2010. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$44,037 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding MS2008-1

As reported in the prior year, during our testing of payroll expenditures, we noted that substitute bus drivers are not paid by the district. Instead, regular bus drivers are responsible for paying for their own substitute. Furthermore, background checks and fingerprinting are not performed on these people. This is a violation of Section 37-9-17, which requires criminal background checks and fingerprinting for all employees of the school district. Also, drivers who are a part of the Public Employees Retirement System (PERS) are being erroneously credited with retirement contributions on wages they did not earn, however, no records are available to determine overpayments to the retirement system. There is also the possibility that the district's liability insurance carrier or workers' compensation insurance carrier would not pay claims in the event a substitute bus driver not known by them has an accident or is accused in a harassment or assault case, or gets injured on the job.

Recommendation

We recommend the school district immediately take steps to correct this violation. Procedures should be implemented to ensure all employees, before performing any duties as an employee of the school district, have been fingerprinted and a criminal background check has been performed and is satisfactory. Also, all employment information should be updated with insurance carriers.

School District's Response

The Alcorn School District is currently implementing procedures to ensure that employees, before performing duties as an employee of the school district, have been fingerprinted and a criminal background check has been performed and is satisfactory. We also are ensuring that employment information is being updated with insurance carriers. We will have the plan implemented for the 2009-2010 school year. The substitute drivers will not be paid by the regular bus drivers but by the district and substitute drivers will follow procedures required by regular employees of the district.

Finding MS2008-2

During our tests of activity fund expenditures, we noted the following instances of noncompliance with state purchasing laws:

1. Expenditures with incomplete, improperly completed, or no purchase orders.
2. Purchases without proper receiving report information.
3. Purchase of gifts for faculty and staff.
4. Use of agency funds to pay bus drivers directly for field trips, instead of the drivers being paid through the payroll system and the agency funds reimbursing the district.

Recommendation

We recommend the school district take the necessary steps to correct these violations of purchasing laws. Procedures should be implemented to ensure that no purchases are made without a properly approved purchase order; that purchases are made without obtaining the proper quotes or bids, as applicable; and that purchases are for valid purposes. All staff authorized to approve purchases should be educated as to the proper purchasing procedures.

School District's Response

The Alcorn School district is currently in the process of restructuring our internal controls to address the issues outlined in this finding. We will implement these procedures during fiscal year 2009.

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

The Alcorn School District's responses to the findings included in this report were not audited, and, accordingly, we express no opinion on them.

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

Branner Vorstony & Company, P. A.

April 30, 2010
Corinth, Mississippi

**ALCORN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510 (a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Child Nutrition Cluster
CFDA #10.553
CFDA #10.555 | |
| | b. Title I Grants to Local Educational Agencies
CFDA #84.010 | |
| | c. Special Education Cluster
CFDA #84.027
CFDA #87.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

**ALCORN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 2: Financial Statement Findings

Significant Deficiencies that are Material Weaknesses

Finding 2008-1

Condition: As reported in the prior year, necessary controls are not in place to safeguard activity funds. We noted the following:

1. Receipt numbers are not noted on deposit slips; therefore, deposit slips cannot be matched to receipts.
2. Some deposit slips were missing from the records.
3. Some receipts were missing from the records.
4. Some deposits did not match written receipts.
5. No controls were in place to ensure the proper amount was collected and deposited for gate receipts. Gate receipt reports were incomplete or improperly completed. Receipts were not deposited on a timely basis; multiple games spanning weeks were included on one deposit slip. Some deposits had no gate receipt report. Some schedules were not provided in order to be tested.

Criteria: Internal controls should be in place to provide reasonable assurance to safeguard activity funds and their proper capture into the accounting records.

Cause: Internal controls over activity funds are inadequately designed or non-existent.

Effect: Because of inadequate internal controls, misappropriation of assets could occur and not be detected by the district's system of internal controls.

Recommendation: We recommend the school district implement internal controls such as, but not limited to, the following:

1. All deposit slips should be reconciled to the receipts, with all deposit slips showing each receipt number or range of receipt numbers.
2. A gate receipt form such as the one found in the *Financial Accounting Manual for Mississippi Public School Districts* should be utilized properly to account for gate receipt activity and any discrepancies investigated.
3. All monies collected should be deposited in a timely basis, in most instances, this should be no later than the next business day.
4. Review the *Financial Accounting Manual for Mississippi Public School Districts* to become familiar with the controls and procedures. Also, staff training may need to be conducted to better prepare staff for the performance of their duties.

School District's Response

Finding 2008-1 is being addressed by continuing to re-evaluate our internal controls regarding activity funds in order to correct the findings of this audit.

Section 2: Financial Statement Findings (Continued)

Material Noncompliance

The results of our tests did not disclose any findings related to material noncompliance.

Section 3: Federal Award Findings and Questioned Costs

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

