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**COFFEEVILLE SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2008**

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

Superintendent and School Board
Coffeeville School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Coffeeville School District as of and for the year ended June 30, 2008, which collectively comprise the Coffeeville School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Coffeeville 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 Coffeeville School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2009, on our consideration of the Coffeerville 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 our audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedules and corresponding notes on pages 49 through 54 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 Coffeerville 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- Government Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures, and Changes in Fund Balance, General Fund, Last Four Years, and the Statement of Revenues, Expenditures, and Changes in Fund Balance, 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.

Young & Garrett

February 21, 2009

COFFEEVILLE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of the Coffeerville School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to the 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 therein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2008 increased \$265,785 including prior year adjustment of \$12,641, which represents an approximate 7.44% increase from fiscal year 2007. Total net assets for 2007 increased \$563,637, which represents an 18.73% increase from fiscal year 2006.
- General Revenues account for \$4,865,994 and \$4,962,053 in revenue, or 70% and 73% of all revenues for fiscal years 2008 and 2007 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,058,749 or 30% of total revenues for 2008 and \$1,801,041 or 27% of total revenues for 2007.
- The District had \$6,671,599 and \$6,198,829 in expenses for fiscal years 2008 and 2007; only \$2,058,749 for 2008 and \$1,801,041 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$4,865,994 for 2008 and \$4,962,053 for 2007 were adequate to provide for these programs.
- Among major funds, the General Fund had \$4,549,639 in revenues and \$4,413,250 in expenditures for 2008 and \$4,364,658 in revenues and \$4,238,248 in expenditures in 2007. The General Fund's fund balance decreased by \$57,083 from 2007 to 2008 and increased \$14,441 from 2006 to 2007.
- Capital Assets, net of accumulated depreciation, decreased by \$30,977 for 2008 and decreased by \$96,045 for 2007. The decrease for 2008 was due to the disposal of one bus and two network switches as well as the increase in accumulated depreciation. The decrease was lower by the amount of a prior period adjustment to accumulated depreciation of \$29,122.
- Long-term debt decreased by \$67,000 for 2008 and decreased by \$70,000 for 2007. This decrease was due to the annual payment on the long-term debt outstanding. In addition, the liability for compensated balances increased by \$3,000 for 2008 and did not change for 2007.

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
-Continued-

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District used 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.

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

-Continued-

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 easily be 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. These reconciliations are on pages 22 and 25, respectively.

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

The basic governmental fund financial statements can be found on pages 20 through 24 of this report.

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

-Continued-

FIDUCIARY FUNDS. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 26.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 48 of this report.

OTHER INFORMATION

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund. This required supplementary information can be found on pages 49 through 54 of this report.

The District has included a Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds (page 59) and Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund and for All Governmental Funds (pages 61-62) for the last four years as required by the Mississippi Department of Education.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on pages 56 through 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS. Net Assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$3,839,485 as of June 30, 2008.

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
-Continued-

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

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

	<u>2008</u>	<u>2007</u>	<u>Total Dollar Variance</u>	<u>Total Percentage Variance</u>
Current Assets	\$ 3,624,312	\$ 3,323,987	\$ 300,325	9.04%
Capital Assets, net	<u>2,481,579</u>	<u>2,512,556</u>	<u>(30,977)</u>	<u>-1.23%</u>
Total Assets	<u>6,105,891</u>	<u>5,836,543</u>	<u>269,348</u>	<u>4.61%</u>
Current Liabilities	185,406	114,843	70,563	61.44%
Long-term Debt Outstanding	<u>2,081,000</u>	<u>2,148,000</u>	<u>(67,000)</u>	<u>-3.12%</u>
Total Liabilities	<u>2,266,406</u>	<u>2,262,843</u>	<u>3,563</u>	<u>0.16%</u>
Net Assets:				
Invested in capital assets, net of related debt	456,579	417,556	39,023	9.35%
Restricted	2,848,440	2,561,595	286,845	11.20%
Unrestricted	<u>534,466</u>	<u>594,549</u>	<u>(60,083)</u>	<u>-10.11%</u>
Total Net Assets	<u>\$ 3,839,485</u>	<u>\$ 3,573,700</u>	<u>\$ 265,785</u>	<u>7.44%</u>

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

- Increase in net assets in the amount of \$265,785
- The principal retirement of \$67,000 in long-term debt

Changes in Net Assets

The District's total revenues for the fiscal years ended June 30, 2008, and June 30, 2007, were \$6,924,743 and \$6,763,094, respectively. The total cost of all programs and services for 2008 was \$6,671,599 and \$6,198,829 for 2007. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008, and June 30, 2007.

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
-Continued-

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Total Dollar Variance</u>	<u>Percentage Variance</u>
Revenue:				
Program Revenues:				
Charges for Services	\$ 133,080	\$ 175,816	\$ (42,736)	-24.31%
Operating Grants & Contributions	1,925,669	1,593,773	331,896	20.82%
Capital Grants & Contributions	-	31,452	(31,452)	-100.00%
General Revenues:				
Property Taxes	1,047,296	982,534	64,762	6.59%
Grants & Contributions-not restricted	3,540,916	3,458,796	82,120	2.37%
Other	277,782	520,723	(242,941)	-46.65%
Total Revenues	<u>6,924,743</u>	<u>6,763,094</u>	<u>161,649</u>	<u>2.39%</u>
Expenses:				
Instruction	3,571,571	3,243,187	328,384	10.13%
Support Services	2,599,980	2,439,559	160,421	6.58%
Non-instructional	434,180	434,393	(213)	-0.05%
Sixteenth Section	15,378	16,636	(1,258)	-7.56%
Interest & Other Charges related to long-term liabilities	50,490	65,054	(14,564)	-22.39%
Total Expenses	<u>6,671,599</u>	<u>6,198,829</u>	<u>472,770</u>	<u>7.63%</u>
Increase in Net Assets	<u>253,144</u>	<u>564,265</u>	<u>(311,121)</u>	<u>-55.14%</u>
Net Assets, July 1	<u>3,573,700</u>	<u>3,010,063</u>	<u>563,637</u>	<u>18.73%</u>
Prior Period Adjustment	<u>12,641</u>	<u>(628)</u>	<u>13,269</u>	<u>2112.90%</u>
Net Asset July 1 restated	<u>3,586,341</u>	<u>3,009,435</u>	<u>576,906</u>	<u>19.17%</u>
Net Assets, June 30	<u>\$ 3,839,485</u>	<u>\$ 3,573,700</u>	<u>\$ 265,785</u>	<u>7.44%</u>

GOVERNMENTAL ACTIVITIES

The following table presents the cost of five major district functional activities: instruction, support services, non-instructional, sixteenth section 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 provide by specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
-Continued-

	<u>TOTAL EXPENSES</u>		TOTAL PERCENTAGE CHANGE
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Instruction	\$ 3,571,571	\$ 3,243,187	10.13%
Support Services	2,599,980	2,439,559	6.58%
Non-instructional	434,180	434,393	-0.05%
Sixteenth Section	15,378	16,636	-7.56%
Interest & Other Charges related to long-term liabilities	<u>50,490</u>	<u>65,054</u>	-22.39%
Total Expenses	<u>\$ 6,671,599</u>	<u>\$ 6,198,829</u>	7.63%

	<u>NET (EXPENSE) REVENUE</u>		TOTAL PERCENTAGE CHANGE
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Instruction	\$(2,612,164)	\$ (2,518,580)	-3.72%
Support Services	(1,963,637)	(1,859,426)	-5.60%
Non-Instructional	27,831	14,898	86.81%
Sixteenth Section	(14,390)	30,374	-147.38%
Interest & Other Charges related to long-term liabilities	<u>(50,490)</u>	<u>(65,054)</u>	-22.39%
Total Expenses	<u>\$(4,612,850)</u>	<u>\$ (4,397,788)</u>	-4.89%

- Net cost of governmental activities, (\$4,612,850 and \$4,397,788) was financed by general revenue, which is made up of primarily property taxes of (\$1,047,296 for 2008 and \$982,534 for 2007) and state and federal revenues of (\$3,540,916 for 2008 and \$3,458,796 for 2007). In addition, there was \$68,864 in Sixteenth Section sources for 2008.
- Investment earnings accounted for \$184,835 for 2008 and \$120,727 for 2007 of funding.

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
-Continued-

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.

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,459,517, an increase of \$228,122, which includes a prior period adjustment of \$16,481. \$3,033,438 or 88% 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 \$426,079 or 12% is reserved or designated to indicate that these funds are not available for spending because they have already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$57,083, of which \$16,481 was an adjustment from prior period. The fund balance of Other Governmental Funds showed a decrease in the amount of \$10,876. The other increase (decrease) in the fund balances for the other major funds were as follows:

<u>MAJOR FUND</u>	<u>INCREASE (DECREASE)</u>
Title 1	no change
Upward Bound	\$143,406
16 th Section Interest	no change
QZAB Bonds	\$152,675

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
-Continued-

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$4,618,505, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$43,194 from 2007 to 2008 and a decrease of \$12,038 from 2006 to 2007. Total accumulated depreciation as of June 30, 2008 was \$2,136,926 and total depreciation expense for the year was \$141,244, resulting in total net assets of \$2,481,579.

<u>Capital Assets, Net of Depreciation</u>			
	<u>2008</u>	<u>2007</u>	Total Percentage <u>Variance</u>
Land	\$ 30,503	\$ 19,078	60%
Buildings	2,013,033	2,061,261	-2%
Building Improvements	39,553	32,352	22%
Mobile Equipment	296,352	275,498	8%
Furniture and Equipment	102,138	124,367	-18%
Total	<u>\$2,481,579</u>	<u>\$2,512,556</u>	-1%

COFFEEVILLE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
-Continued-

Debt Administration. At June 30, 2008, the District had \$2,081,000 in long-term debt outstanding, of which \$76,440 is due within one year. In addition, the liability for compensated absences increased by \$3,000 from the prior year.

The District maintains a AA- bond rating.

	<u>Outstanding Long Term Debt</u>		Total
	<u>2008</u>	<u>2007</u>	<u>Percentage</u> <u>Variance</u>
Limited Obligation Bonds Payable	\$ 1,075,000	\$ 1,145,000	-6%
Qualified Zone Academy Bonds Payable	950,000	950,000	0%
Compensated Absences Payable	56,000	53,000	6%
	<u> </u>	<u> </u>	
Total	<u>\$ 2,081,000</u>	<u>\$ 2,148,000</u>	-3%

CURRENT ISSUES

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

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

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

Enrollment for the 2007-2008 year increased by 5%, to 640 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Coffeeville School District, 16849 Oklahoma Street, Coffeeville, MS 38922.

COFFEEVILLE SCHOOL DISTRICT

FINANCIAL STATEMENTS

COFFEEVILLE SCHOOL DISTRICT
STATEMENT OF NET ASSETS-Exhibit A
June 30, 2008

ASSETS

Cash and Cash Equivalents	\$ 770,197
Investments	1,644,963
Due from other governments	315,413
Other receivables, net	15,210
Inventories	13,913
Restricted Assets	864,616
Capital Assets, non-depreciable:	
Land	30,503
Capital Assets, net of accumulated depreciation:	
Building	2,013,033
Building Improvements	39,553
Mobile Equipment	296,352
Furniture and Fixtures	102,138
Total Assets	<u>6,105,891</u>

LIABILITIES

Accounts Payable and accrued liabilities	157,421
Unearned Revenue	7,374
Interest Payable on Long-term debt	20,611
Long-term Liabilities (due within one year)	
Capital Related Liabilities	75,000
Non-capital liabilities	1,440
Long-term Liabilities (due beyond one year)	
Capital Related Liabilities	1,950,000
Non-capital liabilities	54,560
Total Liabilities	<u>2,266,406</u>

NET ASSETS

Invested in capital assets, net of related debt	456,579
Restricted Net Assets	
Expendable:	
School-based activities	1,831,599
Debt Service	893,358
Capital Improvements	35,224
Forestry Improvements	23,651
Unemployment Benefits	17,356
Non-Expendable:	
Sixteenth Section	47,252
Unrestricted	534,466
Total Net Assets	<u>\$ 3,839,485</u>

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

COFFEEVILLE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES-Exhibit B
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues		Net (Expense) Revenue and Change in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Total
Governmental Activities:			
Instruction	\$ 3,571,571	\$ 49,792	\$ 909,615
Support Services	2,599,980	-	636,343
Non-instructional Services	434,180	82,300	379,711
Sixteenth Section	15,378	988	27,831
Interest and other expenses on long-term liabilities	50,490		(14,390)
Total Governmental Activities	\$ 6,671,599	\$ 133,080	\$ 1,925,669
General Revenues:			
Taxes:			
Property Taxes - general purposes			\$ 966,961
Property Taxes - debt service			80,335
Unrestricted grants and contributions			
State			3,345,327
Federal			195,589
Unrestricted investment earnings			184,835
Sixteenth Section sources			68,864
Other			24,083
Total General Revenues			4,865,994
Change in Net Assets			253,144
Net Assets-Beginning			3,573,700
Prior Period Adjustments			12,641
Net Assets - Restated			3,586,341
Net Assets - Ending			\$ 3,839,485

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

COFFEEVILLE SCHOOL DISTRICT
BALANCE SHEET GOVERNMENT FUNDS - Exhibit C
June 30, 2008

	MAJOR FUNDS							TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	TITLE 1	UPWARD BOUND	16TH SECTION INTEREST	QZAB BONDS	OTHER GOVERNMENTAL FUNDS		
ASSETS								
Cash and cash equivalents	\$ 24,214	\$ -	\$ -	\$ 466,196	\$ 70,321	\$ -	\$ 291,874	\$ 852,605
Cash with fiscal agents	-	-	-	-	87,883	-	-	87,883
Investments	600,688	-	-	1,044,275	590,527	-	103,798	2,339,288
Due from other governments	51,972	48,875	50,068	5,118	-	-	159,380	315,413
Other receivables, net	6,621	-	-	7,601	-	-	988	15,210
Due from other funds	76,480	-	-	143,999	29,901	-	2,621	253,001
Inventories	-	-	-	-	-	-	13,913	13,913
Total Assets	\$ 759,975	\$ 48,875	\$ 50,068	\$ 1,667,189	\$ 778,632	\$ -	\$ 572,574	\$ 3,877,313

LIABILITIES AND FUND BALANCES

Liabilities:								
Accounts Payable and								
Accrued Liabilities	\$ 22,888	\$ 23,146	\$ 40,384	\$ -	\$ -	\$ -	\$ 66,003	\$ 152,421
Due to other funds	146,621	25,729	9,684	-	500	-	70,467	253,001
Unearned Revenue	-	-	-	-	-	-	7,374	7,374
Other Liabilities	-	-	-	5,000	-	-	-	5,000
Total Liabilities	169,509	48,875	50,068	5,000	500	-	143,844	417,796

COFFEEVILLE SCHOOL DISTRICT
BALANCE SHEET GOVERNMENT FUNDS - Exhibit C
-Continued-

	MAJOR FUNDS						TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	TITLE 1	UPWARD BOUND	16TH SECTION INTEREST	QZAB BONDS	OTHER GOVERNMENTAL FUNDS	
Fund Balances							
Reserved for:							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,913	\$ 13,913
Ad Valorem	152,846	-	-	-	-	-	152,846
Debt Service	-	-	-	-	-	135,837	135,837
Unemployment Benefits	-	-	-	-	-	17,356	17,356
Forestry Improvement Purposes	-	-	-	-	-	23,651	23,651
Permanent Funds	-	-	-	-	-	47,252	47,252
Unreserved:							
Designated for, reported in:							
Capital Projects Fund	-	-	-	-	-	35,224	35,224
Undesignated, reported in:							
General Fund	437,620	-	-	-	-	-	437,620
Special Revenue Funds	-	-	-	1,662,189	-	155,497	1,817,686
Debt Service Funds	-	-	-	-	778,132	-	778,132
Total Fund Balances	590,466	-	-	1,662,189	778,132	428,730	3,459,517
Total Liabilities and Fund Balances	\$ 759,975	\$ 48,875	\$ 50,068	\$ 1,667,189	\$ 778,632	\$ 572,574	\$ 3,877,313

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

COFFEEVILLE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS --- Exhibit C-1
June 30, 2008

		<u>Amounts</u>
Total Fund Balance - governmental funds		\$ 3,459,517
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.		
Capital Assets	4,618,505	
Less Accumulated Depreciation	<u>(2,136,926)</u>	2,481,579
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term Liabilities	2,081,000	
Accrued Interest on Debt	<u>20,611</u>	<u>2,101,611</u>
Total Net Assets		<u>\$ 3,839,485</u>

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

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

	MAJOR FUNDS							TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	TITLE 1	UPWARD BOUND	16TH SECTION INTEREST	QZAB BONDS	OTHER GOVERNMENTAL FUNDS		
REVENUES:								
Local Sources	\$ 1,100,312	\$ -	2	\$ -	\$ 44,506	\$ -	\$ 158,212	\$ 1,303,032
State Sources	3,253,739	-	-	-	-	-	349,924	3,603,663
Federal Sources	195,588	329,590	211,599	-	-	-	1,126,145	1,862,922
Sixteenth Section	-	-	-	144,124	-	-	5,088	149,212
Total Revenues	<u>4,549,639</u>	<u>329,590</u>	<u>211,601</u>	<u>144,124</u>	<u>44,506</u>	<u>-</u>	<u>1,639,369</u>	<u>6,918,829</u>
EXPENDITURES:								
Instruction	2,469,327	177,864	69,913	-	-	-	810,203	3,527,307
Support Services	1,943,923	130,331	127,584	-	500	-	379,279	2,581,617
Non-instructional services	-	9,395	-	-	-	-	424,133	433,528
Sixteenth Section	-	-	-	-	-	-	15,378	15,378
Debt Services:								
Principal	-	-	-	-	-	-	70,000	70,000
Interest	-	-	-	-	-	-	52,130	52,130
Total Expenditures	<u>4,413,250</u>	<u>317,590</u>	<u>197,497</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>1,751,123</u>	<u>6,679,960</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 136,389	\$ 12,000	\$ 14,104	\$ 144,124	\$ 44,006	\$ -	\$ (111,754)	\$ 238,869

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

COFFEEVILLE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Exhibit D
-Continued-

	MAJOR FUNDS							TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	TITLE 1	UPWARD BOUND	16TH SECTION INTEREST	QZAB BONDS	OTHER GOVERNMENTAL FUNDS		
OTHER FINANCING SOURCES (USES):								
Other Financing Sources	\$ 5,914	-	\$ -	\$ -	\$ -	-	\$ -	\$ 5,914
Operating Transfers In	51,615	-	-	-	108,669	-	-	395,522
Operating Transfers Out	(234,520)	(12,000)	(14,104)	(718)	-	(134,180)	-	(395,522)
Total Other Financing Sources (Uses)	<u>(176,991)</u>	<u>(12,000)</u>	<u>(14,104)</u>	<u>(718)</u>	<u>108,669</u>	<u>101,058</u>	<u>-</u>	<u>5,914</u>
Net Change in Fund Balance	(40,602)	-	-	143,406	152,675	(10,696)	-	244,783
FUND BALANCES:								
July 1, 2007	647,549	-	-	1,518,783	625,457	439,606	-	3,231,395
Prior period adjustments	(16,481)	-	-	-	-	-	-	(16,481)
July 1, 2007 as restated	631,068	-	-	1,518,783	625,457	439,606	-	3,214,914
Increase/(Decrease) in Reserve for Inventory	-	-	-	-	-	(180)	-	(180)
30-Jun-08	<u>\$ 590,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,662,189</u>	<u>\$ 778,132</u>	<u>\$ 428,730</u>	<u>\$ -</u>	<u>\$ 3,459,517</u>

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

COFFEEVILLE SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - Exhibit D-1
 FOR THE YEAR ENDED JUNE 30, 2008

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 244,783
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$86,375 and the depreciation expense amounted to \$141,244.	(54,869)
2. Payment of the 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 Activities.	70,000
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due. Decrease in accrued interest on bonds	1,640
4. Gains and losses on the sales or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds. Loss on retirement of capital asset	(5,230)
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are increased in the Statement of Activities.	(180)
6. Expense in the Statement of Activities not normally paid with expendible available financial resources are not reported as expenditures in the government funds: Compensated absences	(3,000)
Change in Net Assets of Governmental Activities	\$ 253,144

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

COFFEEVILLE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Exhibit E
June 30, 2008

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 197,361
Accounts Receivable	415
Total Assets	<u>\$ 197,776</u>
Liabilities	
Accounts Payable and accrued liabilities	\$ 192,037
Due to student clubs	5,739
Total Liabilities	<u>\$ 197,776</u>

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

COFFEEVILLE 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 (5) member board to which each member was elected by the citizens of each defined county district.

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

B. Basis of Presentation.

Government-Wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the 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 inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

-Continued-

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

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances 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.

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 non-major governmental funds.

The school district reports the following major governmental funds:

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

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

Title 1 Fund – This fund is used to account for the proceeds of Title 1 funds from the federal government, that are programmatically and legally restricted to expenditures for specified purposes.

Sixteenth Section Interest Fund – This fund is used to account for the proceeds of timber sales, forest products and rental revenues on 16th section land leases that are legally restricted to expenditures for specified purposes.

Upward Bound Fund – This fund is used to account for the proceeds from the federal government that is programmatically and legally restricted to expenditures for specified purposes.

QZAB Bond Fund – This fund is used to accumulate funds for the future retirement of Qualified Zone Academy Bonds.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The fiduciary funds include the following:

Payroll Clearing – This account is used to clear all payroll checks.

Activity Agency Fund – Funds belonging to student clubs are kept in this account.

Accounts Payable Clearing – This account is used to clear all accounts payable checks of the district.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES:

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

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

COFFEEVILLE SCHOOL DISTRICT
NOTE TO THE FINANCIAL STATEMENTS
-Continued-

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.

Permanent Funds – Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

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

Government fund financial statements are reported using 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

COFFEEVILLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
-Continued-

of the grant agreement 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 government 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 inter-fund activity has been eliminated from the government-wide statements.

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

D. Account Classifications.

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

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

E. Encumbrances.

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

F. Assets, Liabilities and net assets or equity.

1. Cash, Cash equivalents and Investments.

Cash and Cash equivalents.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of 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."

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

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

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets.

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

6. Capital Assets.

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

COFFEEVILLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

-Continued-

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See note 5 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.

COFFEEVILLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
-Continued-

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See note 6 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 by the district:

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

Reserved for ad valorem- An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

COFFEEVILLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

-Continued-

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

Reserved for forestry improvement purposes- An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes- An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

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

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, 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.

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

Investments- Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit 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 reported in the governmental funds and fiduciary funds was \$2,730,094 (which includes \$1,680,128 of certificates of deposit with original maturities beyond three months and reported on Exhibit C as investments) and \$197,361, respectively. The bank balance was \$2,946,985.

Custodial Credit Risk – Deposits- Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, \$-0- of the district's bank balance of \$2,946,985 was exposed to custodial credit risk.

COFFEEVILLE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 -Continued-

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$87,883.

Investments.

As of June 30, 2008, the district had the following investments. The District has no internal investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities- Money Market Mutual Fund	less than 1	\$ 68,633	A
Federal National Mortgage Association Notes	less than 1	590,527	not rated
Certificates of Deposit		<u>1,680,128</u>	
Total Investments		<u>\$ 2,339,288</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 rates.

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

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

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

Concentration of Credit Risk – Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Federal National Mortgage Association Notes	\$590,527	25%

(3) Inter-fund receivables, Payables and Transfers.

The following is a summary of inter-fund transactions and balances:

A. Due from/to other funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title 1	\$25,729
	Upward Bound	9,684
	QZAB	500
	Other governmental funds	40,567
16 th Section Interest	General Fund	143,999
QZAB Bonds	Other governmental funds	29,901
Other governmental funds	General Fund	<u>2,621</u>
Total		<u>\$253,001</u>

The purposes of the inter-fund loans was to cover federal and state funds not received prior to year end and amounts due from and amounts due to agency funds. Payments are made of amounts due between funds within three months.

COFFEEVILLE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 -Continued-

B. Inter-fund transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$234,520
Title 1	General Fund	12,000
Upward Bound	General Fund	14,104
16 th Section Interest	Other governmental funds	718
Other governmental funds	General Fund	25,511
	QZAB Bonds	<u>108,669</u>
Total		<u>\$395,522</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

- (4) Restricted Assets- The restricted assets represent the cash balance and investment balance, totaling \$12,087 and \$35,165 respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agent, investment balance and cash in bank, totaling \$87,883, \$590,527, and \$70,321, respectively, of the QZAB Bond retirement fund as well as the investment balance, totaling \$68,633, of the MAEP Limited Obligation Bond/Note Fund.

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

(5) Capital Assets- The following is a summary of changes in capital assets for governmental activities:

	Balance 07/01/07	Additions	Retirements	Adjustments	Balance 06/30/08
Non-depreciable Capital Assets					
Land	\$ 19,078	\$ 11,425	\$ -	\$ -	\$ 30,503
Total non-depreciable capital assets	<u>19,078</u>	<u>11,425</u>	<u>-</u>	<u>-</u>	<u>30,503</u>
Depreciable Capital Assets					
Buildings	3,069,245	-	-	-	3,069,245
Building Improvements	36,764	10,100	-	-	46,864
Mobile Equipment	775,649	64,850	26,906	-	813,593
Furniture and Equipment	674,575	-	16,275	-	658,300
Total depreciable capital assets	<u>4,556,233</u>	<u>74,950</u>	<u>43,181</u>	<u>-</u>	<u>4,588,002</u>
Less: Accumulated Depreciation for:					
Buildings	1,007,984	48,228	-	-	1,056,212
Building Improvements	4,412	2,899	-	-	7,311
Mobile Equipment	500,151	41,305	24,215	-	517,241
Furniture and Equipment	550,208	48,812	13,736	(29,122)	556,162
Total accumulated depreciation	<u>2,062,755</u>	<u>141,244</u>	<u>37,951</u>	<u>(29,122)</u>	<u>2,136,926</u>
Total Depreciable Capital Assets, Net	<u>2,493,478</u>	<u>(66,294)</u>	<u>5,230</u>	<u>29,122</u>	<u>2,451,076</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,512,556</u>	<u>\$ (54,869)</u>	<u>\$ 5,230.00</u>	<u>\$ 29,122</u>	<u>\$ 2,481,579</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 42,916
Support Services	98,328
Total Depreciation Expense	<u>\$ 141,244</u>

COFFEEVILLE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 -Continued-

The capital assets above include significant amounts of buildings and of furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

(6) Long-Term Liabilities.

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due within one year
A. Limited Obligation Bonds Payable	\$ 1,145,000	\$ -	\$ 70,000	\$ 1,075,000	\$ 75,000
B. Qualified Zone Academy Bonds Payable	950,000	-	-	950,000	-
C. Compensated Absences Payable	53,000	4,721	1,721	56,000	1,440
Totals	<u>\$ 2,148,000</u>	<u>\$ 4,721</u>	<u>\$ 71,721</u>	<u>\$ 2,081,000</u>	<u>\$ 76,440</u>

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Amounts	
				<u>Issued</u>	<u>Outstanding</u>
State Aid Capital Improvement	4.5 - 5.7%	3/1/1998	2/1/2018	<u>\$ 1,560,000</u>	<u>\$ 1,075,000</u>
Total				<u>\$ 1,560,000</u>	<u>\$ 1,075,000</u>

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 75,000	\$ 48,448	\$ 123,448
2010	80,000	44,960	124,960
2011	85,000	41,205	126,205
2012	90,000	37,180	127,180
2013	90,000	33,040	123,040
2014 - 2018	655,000	94,692	749,692
	<u>\$ 1,075,000</u>	<u>\$ 299,525</u>	<u>\$ 1,374,525</u>

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

B. Qualified Zone Academy Bonds Payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as qualified zone academy bonds debt currently outstanding is as follows:

<u>Description</u>	<u>Interest</u>	<u>Issue</u>	<u>Maturity</u>	<u>Amounts</u>	
	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>Issued</u>	<u>Outstanding</u>
Limited Tax Note	0%	7/20/2000	7/20/2010	\$ 950,000	\$ 950,000
Total				<u>\$ 950,000</u>	<u>\$ 950,000</u>

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

C. 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.

(7) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 11.85% of covered annual payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$406,116, \$384,811 and \$355,805, respectively, which equaled the required contributions for each year.

(8) Litigation. The school district is not involved in litigation.

(9) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

COFFEEVILLE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 -Continued-

The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending	<u>Amount</u>
<u>June 30</u>	
2009	\$13,986
2010	13,986
2011	9,494
2012	6,482
2013	150
2014 – 2018	750
2019 - 2023	750
2024 – 2028	750
2029 – 2033	750
Thereafter	<u>1,950</u>
 Total	 <u>\$49,048</u>

(10) Prior period Adjustments/Exhibits.

A summary of significant fund equity adjustment is as follows:

Exhibit B – Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To correct prior year error in accumulated depreciation; increases fund balance	\$29,122
2. To correct prior period error in fund 1120-District Maintenance; decreases fund Balance	<u>(16,481)</u>
Total	<u>\$12,641</u>

COFFEEVILLE SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 -Continued-

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
General	To correct prior period error in fund 1120- District Maintenance; decreases fund balance	<u>\$(16,481)</u>
	Total	<u>\$(16,481)</u>

(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) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers the risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(13) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community.

On June 13, 2000, the Coffeeville School District board of trustees adopted a resolution authorizing the issuance of a nine hundred and fifty thousand dollar (\$950,000) limited-tax note of the district designating the note to be a qualified zone academy bond (the "Note) and awarding the sale of the note to the purchaser. The Note resolutions also authorized the superintendent and board president and secretary to execute all documents necessary to affect the issuance of the note. The school district, in agreement with the following organizations has entered into such an arrangement dated July 1, 2000:

Coffeeville Chamber of Commerce
Tallahatchie Valley Electric Power Association
Grenada Manufacturing
K & D Marble
Southern Computers, Inc.
Steele Manufacturing Company

COFFEEVILLE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
-Continued-

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year ending <u>June 30</u>	<u>Amount</u>
2009	\$87,000
2010	87,000
2011	<u>87,000</u>
Total	<u>\$261,000</u>

COFFEVILLE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

COFFEEVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local Sources	\$ 1,305,127	\$ 1,289,409	\$ 1,100,312	\$ (15,718)	\$ (189,097)
State Sources	3,327,244	3,274,933	3,253,739	(52,311)	(21,194)
Federal Sources	113,400	227,212	195,588	113,812	(31,624)
Total Revenues	<u>4,745,771</u>	<u>4,791,554</u>	<u>4,549,639</u>	<u>45,783</u>	<u>(241,915)</u>
Expenditures:					
Instructional	2,760,139	2,716,543	2,469,327	43,596	247,216
Support Service	1,978,404	2,074,470	1,943,923	(96,066)	130,547
Total Expenditures	<u>4,738,543</u>	<u>4,791,013</u>	<u>4,413,250</u>	<u>(52,470)</u>	<u>377,763</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,228</u>	<u>541</u>	<u>136,389</u>	<u>(6,687)</u>	<u>135,848</u>
OTHER FINANCING SOURCES (USES)					
Sale of other property	-	5,914	5,914	5,914	-
Operating Transfers In	433,560	465,070	51,615	31,510	(413,455)
Operating Transfers Out	(587,998)	(651,199)	(234,520)	(63,201)	416,679
Total Other Financing Sources (Uses)	<u>(154,438)</u>	<u>(180,215)</u>	<u>(176,991)</u>	<u>(25,777)</u>	<u>3,224</u>
Net Change in Fund Balances	<u>(147,210)</u>	<u>(179,674)</u>	<u>(40,602)</u>	<u>(32,464)</u>	<u>139,072</u>
Fund Balances					
July 1, 2007	647,549	647,549	647,549	-	-
Prior Period Adjustments	-	-	(16,481)	-	(16,481)
July 1, 2007, as restated	<u>647,549</u>	<u>647,549</u>	<u>631,068</u>	<u>-</u>	<u>(16,481)</u>
June 30, 2008	<u>\$ 500,339</u>	<u>\$ 467,875</u>	<u>\$ 590,466</u>	<u>\$ (32,464)</u>	<u>\$ 122,591</u>

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

COFFEEVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE TITLE 1 FUND
 FOR THE YEAR ENDED June 30, 2008

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
REVENUES:					
Federal Sources	\$ 394,557	\$ 442,769	\$ 329,590	\$ 48,212	\$ (113,179)
Total Revenues	<u>394,557</u>	<u>442,769</u>	<u>329,590</u>	<u>48,212</u>	<u>(113,179)</u>
Expenditures:					
Instructional	234,766	241,994	177,864	(7,228)	64,130
Support Service	154,790	171,982	130,331	(17,192)	41,651
Non-instructional Services	14,304	16,793	9,395	(2,489)	7,398
Total Expenditures	<u>403,860</u>	<u>430,769</u>	<u>317,590</u>	<u>(26,909)</u>	<u>113,179</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,303)</u>	<u>12,000</u>	<u>12,000</u>	<u>21,303</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers Out	(12,000)	(12,000)	(12,000)	-	-
Total Other Financing Sources (Uses)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(21,303)</u>	<u>-</u>	<u>-</u>	<u>21,303</u>	<u>-</u>
Fund Balances					
July 1, 2007	-	-	-	-	-
June 30, 2008	<u>\$ (21,303)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,303</u>	<u>\$ -</u>

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

COFFEEVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE SIXTEENTH SECTION INTEREST FUND
 FOR THE YEAR ENDED June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local Sources	\$ 20,000	\$ -	\$ -	\$ (20,000)	\$ -
16th Section Sources	371,066	147,733	144,124	(223,333)	(3,609)
Total Revenues	<u>391,066</u>	<u>147,733</u>	<u>144,124</u>	<u>(243,333)</u>	<u>(3,609)</u>
Expenditures:					
16th Section	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>391,066</u>	<u>147,733</u>	<u>144,124</u>	<u>(243,333)</u>	<u>(3,609)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers Out	-	(718)	(718)	(718)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(718)</u>	<u>(718)</u>	<u>(718)</u>	<u>-</u>
Net Change in Fund Balances	<u>391,066</u>	<u>147,015</u>	<u>143,406</u>	<u>(244,051)</u>	<u>(3,609)</u>
Fund Balances					
July 1, 2007	<u>1,518,783</u>	<u>1,518,783</u>	<u>1,518,783</u>	<u>-</u>	<u>-</u>
June 30, 2008	<u>\$ 1,909,849</u>	<u>\$ 1,665,798</u>	<u>\$ 1,662,189</u>	<u>\$ (244,051)</u>	<u>\$ (3,609)</u>

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

COFFEEVILLE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE UPWARD BOUND FUND
 FOR THE YEAR ENDED June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local Sources	\$ -	\$ 20	\$ 2	\$ 20	\$ (18)
Federal Sources	267,438	267,438	211,599	-	(55,839)
Total Revenues	<u>267,438</u>	<u>267,458</u>	<u>211,601</u>	<u>20</u>	<u>(55,857)</u>
Expenditures:					
Instructional	91,362	92,632	69,913	(1,270)	22,719
Support Service	160,094	160,701	127,584	(607)	33,117
Total Expenditures	<u>251,456</u>	<u>253,333</u>	<u>197,497</u>	<u>(1,877)</u>	<u>55,836</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,982</u>	<u>14,125</u>	<u>14,104</u>	<u>(1,857)</u>	<u>(21)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers Out	(15,981)	(14,104)	(14,104)	1,877	-
Total Other Financing Sources (Uses)	<u>(15,981)</u>	<u>(14,104)</u>	<u>(14,104)</u>	<u>1,877</u>	<u>-</u>
Net Change in Fund Balances	1	21	-	20	(21)
Fund Balances					
July 1, 2007	-	-	-	-	-
June 30, 2008	<u>\$ 1</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ (21)</u>

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(3) Individual Fund Disclosures

Budgets were prepared for all individual funds required by state law to have budgets.

COFFEEVILLE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

COFFEEVILLE SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED June 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER	FEDERAL EXPENDITURES
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 111,820
National School Lunch Program	10.555	262,550
Summer Food Service Program for Children	10.559	70,131
Total Child Nutrition Cluster		<u>444,501</u>
Total U. S. Department of Agriculture		<u>444,501</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
The Schools and Libraries Program of the Universal Service Fund	32.XXX	133,103
Total Federal Communications Commission		<u>133,103</u>

COFFEEVILLE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

-Continued-

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER	FEDERAL EXPENDITURES
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title 1 Grants to local educational agencies	84.010	\$ 329,590
Career and technical education-basic grants to states	84.048	15,698
Safe and drug-free schools and communities-state grants	84.186	5,395
State grants for innovative programs	84.298	1,336
Educational technology state grants	84.318	197,787
Reading first state grants	84.357	189,108
Rural Education	84.358	13,291
Improving teacher quality state grants	84.367	93,631
Grants for state assessment and related activities	84.369	3,733
Total		<u>849,569</u>
TRIO Cluster:		
TRIO-upward bound	84.047	211,601
Total TRIO Cluster		<u>211,601</u>
Special Education Cluster:		
Special Education-grants to states	84.027	156,838
Special Education-preschool grants	84.173	5,035
Total Special Education Cluster		<u>161,873</u>
Total passed-through Mississippi Department of Education		<u>1,223,043</u>
Passed-through the Board of Office of the State of Mississippi Institutions of Higher Learning:		
Gaining early awareness and readiness in undergraduate programs	84.334	6,070
Total U. S. Department of Education		<u>1,229,113</u>

COFFEEVILLE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
-Continued-

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER	FEDERAL EXPENDITURES
<u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	\$ 22,422
Total Passed-through Mississippi Department of Education		<u>22,422</u>
Total U. S. Department of Health and Human Services		<u>22,422</u>
Total of All Federal Awards		<u>\$ 1,829,139</u>

NOTES TO THE 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.

COFFEEVILLE SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED June 30, 2008

Expenditures	Total	Instruction and Other Student Instructional Expenditures			General Administration		School Administration		Other
		Salaries and fringe benefits	Other	Total	Administration	Administration	Administration	Administration	
Salaries and fringe benefits	\$ 4,715,570	\$ 3,416,927	\$ 482,121	\$ 200,007	\$ 616,515				
Other	1,964,390	751,500	93,357	6,709	1,112,824				
Total	\$ 6,679,960	\$ 4,168,427	\$ 575,478	\$ 206,716	\$ 1,729,339				
Total Number of Students *	640								
Cost Per Student	\$ 10,437	\$ 6,513	\$ 899	\$ 323	\$ 2,702				

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 and 2200 function codes).

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

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

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

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

COFFEVILLE SCHOOL DISTRICT

OTHER SUPPLEMENTARY INFORMATION

COFFEEVILLE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
LAST FOUR YEARS

	UNAUDITED			
	2008	2007*	2006*	2005*
Revenue:				
Local Sources	\$ 1,100,312	\$ 1,009,678	\$ 1,062,516	\$ 987,245
State Sources	3,253,739	3,231,095	3,140,103	2,989,823
Federal Sources	195,588	123,885	69,904	73,517
Total Revenues	<u>4,549,639</u>	<u>4,364,658</u>	<u>4,272,523</u>	<u>4,050,585</u>
Expenditures:				
Instruction	2,469,327	2,418,814	2,508,498	2,516,272
Support Service	1,943,923	1,819,434	1,737,004	1,750,551
Total Expenditures	<u>4,413,250</u>	<u>4,238,248</u>	<u>4,245,502</u>	<u>4,266,823</u>
Excess (Deficiency) of Revenues over expenditures	<u>136,389</u>	<u>126,410</u>	<u>27,021</u>	<u>(216,238)</u>
Other Financing Sources (Uses)				
Insurance Loss Recovery	-	2,350	13,567	-
Sale of Other Property	5,914	5,665	-	-
Operating Transfers in	51,615	52,514	418,869	477,282
Operating Transfers Out	(234,520)	(172,498)	(570,493)	(617,863)
Total Other Financing Sources (Uses)	<u>(176,991)</u>	<u>(111,969)</u>	<u>(138,057)</u>	<u>(140,581)</u>
Net Change in Fund Balance	<u>(40,602)</u>	<u>14,441</u>	<u>(111,036)</u>	<u>(356,819)</u>
Fund Balances:				
July 1	647,549	633,108	744,144	1,100,963
Prior period adjustments	(16,481)	-	-	-
July 1, as restated	<u>631,068</u>	<u>633,108</u>	<u>744,144</u>	<u>1,100,963</u>
June 30	<u>\$ 590,466</u>	<u>\$ 647,549</u>	<u>\$ 633,108</u>	<u>\$ 744,144</u>

* Source – Prior Year Audit Reports

COFFEEVILLE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENT FUNDS
LAST FOUR YEARS

	UNAUDITED			
	2008	2007*	2006*	2005*
Revenue:				
Local Sources	\$ 1,303,032	\$ 1,220,177	\$ 1,222,882	\$ 1,147,332
State Sources	3,603,663	3,536,830	3,460,818	3,298,361
Federal Sources	1,862,922	1,547,190	1,657,196	1,582,242
Sixteenth Sources	149,212	440,161	136,404	153,364
Total Revenues	6,918,829	6,744,358	6,477,300	6,181,299
Expenditures:				
Instruction	3,527,307	3,199,335	3,558,718	3,375,286
Support Service	2,581,617	2,393,483	2,290,061	2,314,274
Non-instructional Services	433,528	432,518	448,967	394,405
Sixteenth Section	15,378	16,636	4,368	59,147
Debt Service:				
Principal	70,000	70,000	65,000	60,000
Interest	52,130	56,120	59,967	63,530
Other	-	1,050	-	-
Total Expenditures	6,679,960	6,169,142	6,427,081	6,266,642
Excess (Deficiency) of Revenues over expenditures	238,869	575,216	50,219	(85,343)
Other Financing Sources (Uses)				
Insurance Loss Recovery	-	2,350	13,567	-
Sale of Other Property	5,914	5,665	-	-
Operating Transfers in	395,522	350,780	705,817	809,986
Other Financing Sources	-	10,721	-	-
Operating Transfers Out	(395,522)	(350,780)	(705,817)	(809,986)
Total Other Financing Sources (Uses)	5,914	18,736	13,567	-
Net Change in Fund Balance	244,783	593,952	63,786	(85,343)
Fund Balances:				
July 1	3,231,395	2,633,829	2,589,983	2,658,811
Prior period adjustments	(16,481)	(628)	-	-
July 1, as restated	3,214,914	2,633,201	2,589,983	2,658,811
Increase (Decrease) in reserve for inventory	(180)	4,242	(19,940)	16,515
June 30	\$ 3,459,517	\$ 3,231,395	\$ 2,633,829	\$ 2,589,983

* Source – Prior Year Audit Reports

COFFEEVILLE SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



606 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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

Superintendent and School Board
Coffeeville School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coffeeville School District as of and for the year ended June 30, 2008, which collectively comprise Coffeeville School District's basic financial statements and have issued our report thereon dated February 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-1, 08-2, 08-3, and 08-4 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated February 21, 2009, which is included in this report.

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

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

Young & Garrett

February 21, 2009



606 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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

Superintendent and School Board
Coffeenville School District

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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, Coffeenville 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 Coffeerville 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 Coffeerville School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

Our consideration of 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 for 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.

Young & Garrett

February 21, 2009

COFFEEVILLE SCHOOL DISTRICT

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



606 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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

Superintendent and School Board
Coffeeville School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Coffeeville School District as of and for the year ended June 30, 2008, which collectively comprise Coffeeville School District's basic financial statements and have issued our report thereon dated February 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$5,283 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:

1. Ad Valorem Tax Limitations Should Be Calculated and the Excess Placed in Escrow

Finding

Section 37-57-107, Miss. Code Ann. (1972), states that if total ad valorem and homestead receipts exceed the amount allowable, the excess should be placed in escrow. Section 27-39-207, Miss. Code Ann. (1972), states "Notice of Tax Increase" shall be published by a school district in order to collect any increase other than the amount of increase due to new property coming on the tax rolls. If the district publishes the "Notice", the district can request up to a 4% tax increase and claim any increase as a result of new programs.

During our test of limitations of ad valorem taxes, we discovered the district collected more than the amount allowable under Section 37-57-107, Miss. Code Ann. (1972). Additionally, we noted the district did not publish the "Notice" as required and therefore was not allowed, under Sections 37-57-105 and 37-57-107, Miss. Code Ann. (1972), to request and collect any increase in ad valorem taxes other than new property assessments. As a result, the District incurred an escrow of \$152,846. An audit adjustment was proposed and made by management to properly record this escrow.

Inaccurate preparation of the Tax Request Worksheet and improper advertisement of the "Notice" by the district resulted in an escrow and therefore reduced the following year's request by the amount of the funds held in escrow.

Recommendation

We recommend that the district comply with Sections 37-57-105, 37-57-107 and 27-39-207, Miss. Code Ann. (1972), and reduce its homestead and ad valorem request for the next fiscal year by \$152,846.

School District's Response

The district will comply with Section 37-57-105, 37-57-107, and 27-39-207, Miss. Code Ann. (1972), and reduce its homestead and ad valorem request for the next fiscal year by \$152,846.

2. State Purchasing Laws Should Be Followed

Finding

During the fiscal year audited, Section 31-7-13(b) Miss. Code Ann. (1972), allowed purchases involving an expenditure of more than \$5,000 but not more than \$25,000 to be made from the lowest and best bidder without publishing or posting advertisement for bids. Any governing authority may authorize its purchasing agent to accept the lowest and best written bid. Such authorization shall be made in writing by the governing authority.

During the fiscal year audited, we noted two instances in which the governing authority (Board of Directors) did not authorize in writing its purchasing agent to accept the lowest and best written bid.

Inadequate controls over adherence to state purchase laws resulted in this noncompliance.

Purchases being made without following the state purchasing laws could result in the district not efficiently managing public funds.

Recommendation

We recommend the district ensure that the requirements of Section 31-7-13 Miss. Code Ann. (1972), are met.

School District's Response

The Board will appoint a governing authority and the district will comply with Section 31-7-13 Miss. Code Ann. (1972).

3. Superintendent Should Provide the Board with Monthly Financials by Fund

Finding

Section 37-9-18, Miss. Code Ann. (1972), states, "The superintendent of schools shall furnish to the school board a financial statement of receipts and disbursements, by fund, on or before the last working day of the following month covering the prior month."

During our inquiry, we noted the superintendent did not present to the school board monthly financial statements by fund. The superintendent provided a monthly accounting, year-to-date statement of fund balances, for the District Maintenance Fund.

Inadequate controls over adherence to Section 37-9-18 Miss. Code Ann. (1972), resulted in this noncompliance.

By not providing the school board with monthly financial statements by fund, the school board is not informed and is not given the opportunity to investigate and audit these records.

Recommendation

We recommend the superintendent comply with Section 37-9-18 Miss. Code Ann. (1972), and provide the school board with monthly financial statements by fund.

School District's Response

The Superintendent shall furnish to the School Board a monthly fund by fund financial statement.

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

The Coffeeville 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 and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Young & Garrett

February 21, 2009

COFFEEVILLE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COFFEEVILLE SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Child nutrition cluster: | |
| CFDA # 10.553 | |
| CFDA # 10.555 | |
| CFDA # 10,559 | |
| b. Title I grants to local educational agencies | |
| CFDA # 84.010 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee: | Yes |
| 10. Prior fiscal year audit 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 OBM Circular A-133? | No |

COFFEEVILLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
-Continued-

Section 2: Financial Statement Findings

Significant Deficiencies Not Considered to Be Material Weaknesses

08-1. Payroll Expenditures Should Be Supported by Adequate Documentation

Finding

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

During our tests of payroll expenditures, we found that the supporting documentation (i.e. time sheets) for nonexempt employees was not used to calculate the amount of salary an employee had earned. Instead, the district paid all of its employees, excluding part-time workers, substitutes and summer hires, based on a twelve-month period. Time sheets are retained for the purpose to calculate attendance and any necessary adjustments are applied to the following month's pay.

Payment of wages over a twelve month period for nonexempt employees without making timely necessary adjustments to time worked could result in the employee being improperly compensated and a loss to the district.

Recommendation

The district should pay its nonexempt employee's on a monthly basis in accordance with actual time worked.

08-2. Controls Related to the Purchasing/Expenditures Function Should Be Strengthened

Finding

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

During our test of 74 expenditures totaling \$611,929, the following was noted:

- 1 instance totaling \$81 in which purchase orders were prepared after receipt of the invoice.
- 3 instances totaling \$102 in which purchase requests were not prepared.
- 4 instances totaling \$3,328 in which no requisition was prepared.

Inadequate internal controls surrounding the expenditures and disbursements cycle could result in misappropriation or loss of assets.

COFFEEVILLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
-Continued-

Recommendation

We recommend management strengthen internal controls to require purchase requests and purchase orders to be completed and approved before purchases are made. Additionally, the State Purchasing Law should be abided by for purchases exceeding \$5,000. These purchases must be approved by the board prior to processing the order.

08-3. Controls Related to Segregation of Duties Should Be Strengthened

Finding

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

During our disbursement inquiries, we noted that the business manager either performs or has the ability to perform the following functions, which indicates a lack of adequate segregation of duties:

- issue, print and sign checks
- post entries to the general ledger
- perform monthly bank reconciliations
- prepare monthly financial reports

Additionally, the accounts payable and payroll clerk issues, prints and has the authority to sign checks.

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

Recommendation

We recommend the district revise its systems of cash disbursement function whereby duties would be divided to the greatest possible extent.

08-4. Monthly Claims for Reimbursement Should Be Submitted by the 10th of the Following Month

Finding

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

COFFEEVILLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
-Continued-

The district is not required to submit any reports directly to the federal government. However, there are reports filed with the Mississippi Department of Education prior to reimbursement of program expenditures. These submissions are due to the Mississippi Department of Education by the 10th of the following month.

In October 2005, the State Department of Education performed a site visit on Coffeerville School District. One recommendation from the visit was for the district to submit its claims by the 10th of the month. During our audit we noted four of ten instances in which the reports were submitted after the due date.

Due to inadequate controls, the monthly submissions were untimely.

Inadequate controls could result in the district forfeiting its reimbursement.

Recommendation

We recommend the district ensure its monthly claims reports are submitted to the Mississippi Department of Education by the required deadline on all future submissions.

Section 3. Federal Award Findings and Questioned Costs

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

**Coffeeville School District
16849 Okahoma Street
Coffeeville, MS 38922
662 675 8941 fax 662 675 5004**

April 28, 2009

Young & Garrett
Certified Public Accountants
606 South 16th Street
Oxford, MS 38655

Dear Sirs:

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

<u>Finding</u>	<u>Corrective Action Plan Details</u>
08-1	<p>a. Name of Contact Person Responsible for Corrective Action Eddie Anderson, Superintendent Phone# 662 675-8941</p> <p>b. Corrective Action Plan: The District will maintain proper records(time and wages) for all non exempt employees.</p> <p>c. Anticipated Completion Date: These procedures are already in place.</p>

08-2

a. Name of Contact Person Responsible for Corrective Action

Eddie Anderson, Superintendent Phone# 662 675-8941

b. Corrective Action Plan:

The District will strengthen internal controls to insure policies and procedures are being followed before purchases are made.

c. Anticipated Completion Date:

New internal controls have been implemented.

08-3

a. Name of Contact Person Responsible for Corrective Action:

Eddie Anderson, Superintendent Phone# 662 675-8941

b. Corrective Action Plan:

The District has implemented controls to ensure that strong Financial Accountability safeguards are in place.

c. Anticipated completion Date:

These controls have been implemented with Board Policy and additional check and balance procedures.

08-4

a. Names of Contact Persons Responsible for Corrective Action:

Brenda Shaw, Food Service Director Phone# 662 675-5001

Eddie Anderson, Superintendent Phone# 662 675-8941

b. Corrective Action Plan:

The District will compile daily information required for claim reimbursement on a daily basis. We will require that information be furnished to the Central Office in a timely manner.

c. Anticipated Completion Date:

These procedures are in place.

Sincerely yours,



Eddie Anderson

Superintendent