



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

COLUMBUS MUNICIPAL SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2008**

**Charles L. Shivers, CPA
Ridgeland, MS**

This page left blank intentionally.

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	1
Independent Auditor's Report	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS.....	13
Statement of Net Assets	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	21
Statement of Net Assets – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets.....	23
Notes to the Financial Statements.....	25
REQUIRED SUPPLEMENTARY INFORMATION.....	39
Budgetary Comparison Schedule for the General Fund.....	41
Budgetary Comparison Schedule for the Major Special Revenue Fund – QZAB Fund.....	42
Notes to the Required Supplemental Information.....	43
SUPPLEMENTARY INFORMATION.....	45
Schedule of Expenditures of Federal Awards.....	47
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	49
OTHER SUPPLEMENTAL INFORMATION.....	51
Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund, Last Four Years.....	53
Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years.....	54
REPORTS ON INTERNAL CONTROL AND COMPLIANCE.....	55
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB CircularA-133	59
REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	65
AUDITEES CORRECTIVE ACTION PLAN.....	69
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	73

This page left blank intentionally.

FINANCIAL AUDIT REPORT

This page left blank intentionally.

CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Columbus Municipal School District

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

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Columbus Municipal 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*, I have also issued my report dated March 23, 2009, on my consideration of the Columbus Municipal School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and related notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Columbus Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Ridgeland, MS
March 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

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

The discussion and analysis of the Columbus Municipal 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, decreased \$451,988, which represents a 2% decrease from fiscal year 2007.
- General revenues accounted for \$34,580,628 in revenue, or 80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,672,894, or 20% of total revenues. Special items in the amount of \$101,942 were reported on the Statement of Activities and account for less than 1% of total revenues.
- The District had \$43,841,029 in expenses; only \$8,672,894 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$34,580,628, special items of \$101,942 and beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$32,121,362 in revenues and \$31,346,005 in expenditures. After net other financing uses of \$564,326, the net change in fund balance for the General Fund was an increase of \$211,031 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$597,939 due primarily to the current year depreciation of capital assets.
- Long-term debt increased by \$9,811,437 due primarily to the issuance of general obligation bonds and qualified zone academy bonds (QZAB) during the fiscal year.

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 are comprised of 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 and other expenses on long-term liabilities.

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

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

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

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

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

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Cir. A-133 and a Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor, can be found in this report. Also, this report includes a Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund, Last Four Years and a Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$22,140,258 as of June 30, 2008.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$11,828,209 of the District's net assets (53%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students;

consequently these assets are not available for future spending. \$1,836,427 of the District's net assets (9%) reflects its restricted net assets. The restricted net assets are expendable for school based activities, debt service, capital improvements and unemployment benefits. \$8,475,622 of the District's net assets (38%) reflects its unrestricted net assets.

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 and comparative data for the fiscal year ended June 30, 2007.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Current assets	\$ 29,528,699	\$ 16,694,079	76.9 %
Capital assets, net	<u>23,439,371</u>	<u>24,037,310</u>	(2.5) %
Total assets	<u>52,968,070</u>	<u>40,731,389</u>	30.0 %
Current liabilities	6,006,577	3,129,345	91.9 %
Long-term debt outstanding	<u>24,821,235</u>	<u>15,009,798</u>	65.4 %
Total liabilities	<u>30,827,812</u>	<u>18,139,143</u>	70.0 %
Net assets:			
Invested in capital assets, net of related debt	11,828,209	9,517,310	24.3 %
Restricted	1,836,427	3,675,810	(50.0) %
Unrestricted	<u>8,475,622</u>	<u>9,399,126</u>	(9.8) %
Total net assets	<u>\$ 22,140,258</u>	<u>22,592,246</u>	(2.0) %

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents resulting from debt proceeds received during the fiscal year in which the majority of the proceeds remained unspent at fiscal year end.
- Capital assets decreased from the previous fiscal year due primarily to the current year depreciation of the capital assets.
- Current liabilities increased from the previous fiscal year due primarily to an increase in accounts payable and accrued liabilities and the current year reporting of a discount on loans payable resulting from the issuance of the qualified zone academy bonds.
- Long-term debt outstanding increased from the previous fiscal year due primarily to the issuance of general obligations bonds and qualified zone academy bonds during the fiscal year.

Changes in net assets. The District's total revenues, including special items, for the fiscal year ended June 30, 2008 were \$43,355,464. The total cost of all programs and services was \$43,841,029. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	<u>Change in Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 693,016	\$ 734,651	(5.7) %
Operating grants and contributions	7,979,878	7,865,897	1.4 %
General revenues:			
Property taxes	11,249,968	10,860,476	3.6 %
Grants and contributions not restricted	22,328,829	21,008,590	6.3 %
Other	1,001,831	769,489	30.2 %
Special items	<u>101,942</u>	<u>0</u>	
Total revenues	<u>43,355,464</u>	<u>41,239,103</u>	5.1 %

Expenses:			
Instruction	24,073,246	22,320,706	7.9 %
Support services	16,309,333	13,713,473	18.9 %
Non-instructional	2,431,736	2,512,926	(3.2) %
Sixteenth section	1,500	925	62.2 %
Interest and other expenses on long-term liabilities	<u>1,025,214</u>	<u>771,701</u>	32.9 %
Total expenses	<u>43,841,029</u>	<u>39,319,731</u>	11.5 %
Increase (Decrease) in net assets	(485,565)	1,919,372	(125.3) %
Net Assets, July 1	22,592,246	20,766,845	8.8 %
Prior Period Adjustments	<u>33,577</u>	<u>(93,971)</u>	(135.7) %
Net Assets, Restated, July 1	<u>22,625,823</u>	<u>20,672,874</u>	9.4 %
Net Assets, June 30	<u>\$22,140,258</u>	<u>\$ 22,592,246</u>	(2.0) %

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

- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, specifically an increase in funds related to the Mississippi Adequate Education Program (MAEP).
- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits of employees.
- Support services expenses increased from the previous fiscal year due primarily to expenditures incurred during the fiscal year for the renovation of various school facilities.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>2008</u>		<u>2007</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$24,073,246	\$(19,187,686)	\$22,320,706	\$(17,491,383)
Support services	16,309,333	(15,051,882)	13,713,473	(12,540,405)
Non-instructional	2,431,736	98,147	2,512,926	85,231
Sixteenth section	1,500	(1,500)	925	(925)
Interest and other expenses on long-term liabilities	<u>1,025,214</u>	<u>(1,025,214)</u>	<u>771,701</u>	<u>(771,701)</u>
Total expenses	<u>\$43,841,029</u>	<u>\$(35,168,135)</u>	<u>\$ 39,319,731</u>	<u>\$(30,719,183)</u>

- The net cost of governmental activities for fiscal year 2008 in the amount of \$35,168,135 was financed mainly by general revenue, which is made up of primarily property taxes of \$11,249,968 and state revenue of \$21,597,088.
- Investment earnings accounted for \$619,395 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2008, its governmental funds reported a combined fund balance of \$24,804,542. The net change in fund balance for the fiscal year was an increase of \$11,034,773 due primarily to debt proceeds received during the fiscal year in which the majority of the proceeds remained unspent at fiscal year end. \$4,416,208, or 18%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the unreserved, undesignated fund balance reported in the Capital Project Funds is a result of transfers from the General Fund and will be used for the renovation and construction of school facilities. The remaining fund balance of \$20,388,334, or 82%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, unemployment benefits, capital project purposes and debt service purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$211,031 due primarily to the increased amount of revenue from state sources received related to the Mississippi Adequate Education Program. The net change in fund balance for the QZAB Fund for the fiscal year was an increase of \$814,061 due primarily to debt proceeds that remained unspent at fiscal year end. The net change in fund balance for the Capital Project Fund for the fiscal year was an increase of \$242,402 due to current year earnings on investments. The net change in fund balance for the Middle School Building Fund for the fiscal year was an increase of \$9,899,506 due primarily to debt proceeds that remained unspent at fiscal year end. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$132,227 due to the deficiency of revenues and other financing sources over expenditures and other financing uses in various funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions included changes made to increase or decrease revenues and expenditures as needed during the fiscal year, to reflect insurance loss recoveries received during the fiscal year, to reflect proceeds from the issuance of long-term debt and to reflect the expenditures incurred for the renovation of various school facilities. Other budget revisions were routine in nature and were not considered significant when compared to overall revenues and expenditures.

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, before depreciation, were \$42,252,616, including land, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross decrease of \$22,156 from the previous year. Total depreciation expense for the year was \$719,244. Total accumulated depreciation as of June 30, 2008 was \$18,813,245, resulting in total net capital assets of \$23,439,371.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 1,571,078	\$ 1,571,078	0.0 %
Buildings	20,400,414	20,859,726	(2.2) %
Improvements other than buildings	208,720	222,064	(6.0) %
Mobile equipment	1,041,297	1,101,328	(5.5) %
Furniture and equipment	<u>217,862</u>	<u>283,114</u>	(23.0) %
Total	<u>\$ 23,439,371</u>	<u>\$ 24,037,310</u>	(2.5) %

Debt Administration. At June 30, 2008, the District had \$24,821,235 in general obligation bonds and other long-term debt outstanding, of which \$2,308,883 is due within one year. During the fiscal year, the District received proceeds resulting from the issuance of general obligation bonds and qualified zone academy bonds (QZAB).

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
General obligation bonds payable	\$ 18,419,500	\$ 9,460,000	94.7 %
Three mill notes payable	4,535,000	5,060,000	(10.4) %
Shortfall notes payable	45,343	174,996	(74.1) %
Qualified zone academy bonds payable	1,480,583	0	
Compensated absences payable	<u>340,809</u>	<u>314,802</u>	8.3 %
Total	<u>\$ 24,821,235</u>	<u>\$ 15,009,798</u>	65.4 %

CURRENT ISSUES

The Columbus Municipal 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. In addition, 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Columbus Municipal School District, P. O. Box 1308, Columbus, MS 39703.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

Columbus Municipal School District
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 15,068,082
Due from other governments	\$ 1,167,898
Inventories	\$ 7,916
Restricted assets (Note 4)	\$ 13,284,803
Non-depreciable capital assets (Note 5)	\$ 1,571,078
Depreciable capital assets, net (Note 5)	\$ 21,868,293
Total Assets	<u>\$ 52,968,070</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 4,707,490
Interest payable on long-term liabilities	\$ 364,945
Deferred credit on bonds payable (Note 15)	\$ 917,475
Unearned revenue	\$ 16,667
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	\$ 2,246,500
Non-capital related liabilities	\$ 62,383
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	\$ 20,708,000
Non-capital related liabilities	\$ 1,804,352
Total Liabilities	<u>\$ 30,827,812</u>
Net assets	
Investment in capital assets (net of related debt)	\$ 11,828,209
Restricted net assets	
Expendable	
School-based activities	\$ 1,578,687
Debt service	\$ 92,983
Unemployment benefits	\$ 164,757
Unrestricted	<u>\$ 8,475,622</u>
Total Net Assets	<u>\$ 22,140,258</u>

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

Columbus Municipal School District
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 24,073,246	\$ 352,230	\$ 4,533,330	\$ (19,187,686)
Support services	\$ 16,309,333		\$ 1,257,451	\$ (15,051,882)
Non-instructional	\$ 2,431,736	\$ 340,786	\$ 2,189,097	\$ 98,147
Sixteenth section	\$ 1,500			\$ (1,500)
Interest and other expenses on long-term liabilities	\$ 1,025,214			\$ (1,025,214)
Total Governmental Activities	\$ 43,841,029	\$ 693,016	\$ 7,979,878	\$ (35,168,135)
General Revenues				
Taxes				
General purpose levies				\$ 9,249,769
Debt purpose levies				\$ 2,000,199
Unrestricted grants and contributions				
State				\$ 21,597,088
Federal				\$ 731,741
Unrestricted investment earnings				\$ 619,395
Sixteenth section sources				\$ 9,138
Other				\$ 373,298
Total General Revenues				\$ 34,580,628
Special Items (Note 14)				\$ 101,942
Total General Revenues and Special Items				\$ 34,682,570
Changes in Net Assets				\$ (485,565)
Net Assets - Beginning				\$ 22,592,246
Prior period adjustments (Note 10)				\$ 33,577
Net Assets - Beginning - Restated				\$ 22,625,823
Net Assets - Ending				\$ 22,140,258

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

Columbus Municipal School District
Balance Sheet - Governmental Funds
June 30, 2008

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	QZAB Fund	Capital Project Fund	Middle School Building Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents (Note 2)	\$ 4,787,151	\$ 1,990,984	\$ 7,496,920	\$ 9,906,288	\$ 4,171,542	\$ 28,352,885
Due from other governments	\$ 434,151				\$ 733,747	\$ 1,167,898
Due from other funds (Note 3)	\$ 264,933					\$ 264,933
Inventories					\$ 7,916	\$ 7,916
Total Assets	\$ 5,486,235	\$ 1,990,984	\$ 7,496,920	\$ 9,906,288	\$ 4,913,205	\$ 29,793,632
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	\$ 2,640,798	\$ 1,176,923		\$ 6,782	\$ 882,987	\$ 4,707,490
Due to other funds (Note 3)					\$ 264,933	\$ 264,933
Unearned revenue					\$ 16,667	\$ 16,667
Total Liabilities	\$ 2,640,798	\$ 1,176,923	\$ -	\$ 6,782	\$ 1,164,587	\$ 4,989,090
Fund Balances						
Reserved for						
Capital project purposes		\$ 814,061		\$ 9,899,506	\$ 629,771	\$ 11,343,338
Debt service purposes					\$ 1,375,403	\$ 1,375,403
Unemployment benefits					\$ 164,757	\$ 164,757
Inventory					\$ 7,916	\$ 7,916
Unreserved						
Designated, reported in Capital Projects			\$ 7,496,920			\$ 7,496,920
Undesignated, reported in						
General fund	\$ 2,845,437					\$ 2,845,437
Special revenue funds					\$ 1,570,771	\$ 1,570,771
Total Fund Balances	\$ 2,845,437	\$ 814,061	\$ 7,496,920	\$ 9,899,506	\$ 3,748,618	\$ 24,804,542
Total Liabilities and Fund Balances	\$ 5,486,235	\$ 1,990,984	\$ 7,496,920	\$ 9,906,288	\$ 4,913,205	\$ 29,793,632

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

Columbus Municipal School District
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 24,804,542
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$18,813,245.	\$ 23,439,371
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$ (24,821,235)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	\$ (364,945)
The deferred credit on bonds payable is not available to pay current-period expenditures and therefore is not reported in the governmental funds.	<u>\$ (917,475)</u>
Total net assets - governmental activities	<u>\$ 22,140,258</u>

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

Columbus Municipal School District
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended June 30, 2008

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	QZAB Fund	Capital Project Fund	Middle School Building Fund	Other Governmental Funds	
Revenues						
Local sources	\$ 9,802,828	\$ 14,007	\$ 242,402	\$ 78,314	\$ 2,549,929	\$ 12,687,480
State sources	\$ 21,777,419				\$ 968,525	\$ 22,745,944
Federal sources	\$ 541,115				\$ 7,023,146	\$ 7,564,261
Sixteenth section sources					\$ 9,138	\$ 9,138
Total Revenues	\$ 32,121,362	\$ 14,007	\$ 242,402	\$ 78,314	\$ 10,550,738	\$ 43,006,823
Expenditures						
Instruction	\$ 18,133,047				\$ 5,436,035	\$ 23,569,082
Support services	\$ 13,070,749	\$ 1,642,621		\$ 7,781	\$ 1,460,806	\$ 16,181,957
Noninstructional services	\$ 51,262				\$ 2,345,206	\$ 2,396,468
Sixteenth section					\$ 1,500	\$ 1,500
Debt service						
Principal (Note 6)	\$ 88,000				\$ 1,621,653	\$ 1,709,653
Interest	\$ 2,947				\$ 642,789	\$ 645,736
Debt issuance costs					\$ 37,716	\$ 216,068
Other					\$ 3,500	\$ 3,500
Total Expenditures	\$ 31,346,005	\$ 1,699,946	\$ -	\$ 128,808	\$ 11,549,205	\$ 44,723,964
Excess (Deficiency) of Revenues Over Expenditures	\$ 775,357	\$ (1,685,939)	\$ 242,402	\$ (50,494)	\$ (998,467)	\$ (1,717,141)
Other Financing Sources (Uses)						
Proceeds of general obligation bonds (Note 6)				\$ 9,950,000		\$ 9,950,000
Proceeds of refunding bonds (Note 6)					\$ 8,394,500	\$ 8,394,500
Proceeds of qualified zone academy bonds (Note 6)		\$ 2,500,000				\$ 2,500,000
Insurances loss recoveries	\$ 246,699					\$ 246,699
Sale of transportation equipment	\$ 1,041					\$ 1,041
Sale of other property	\$ 100					\$ 100
Operating transfers in (Note 3)	\$ 352,398				\$ 1,164,564	\$ 1,516,962
Operating transfers out (Note 3)	\$ (1,164,564)				\$ (352,398)	\$ (1,516,962)
Payment to refunded bond escrow agent					\$ (8,330,000)	\$ (8,330,000)
Total Other Financing Sources (Uses)	\$ (564,326)	\$ 2,500,000	\$ -	\$ 9,950,000	\$ 876,666	\$ 12,762,340

Net Change in Fund Balances	\$ 211,031	\$ 814,061	\$ 242,402	\$ 9,899,506	\$ (121,801)	\$ 11,045,199
Fund Balances						
July 1, 2007	\$ 2,634,406	\$ -	\$ 7,254,518	\$ -	\$ 3,880,845	\$ 13,769,769
Decrease in reserve for inventory					\$ (10,426)	\$ (10,426)
June 30, 2008	\$ 2,845,437	\$ 814,061	\$ 7,496,920	\$ 9,899,506	\$ 3,748,618	\$ 24,804,542

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

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

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 11,045,199
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$99,625 and the depreciation expense amounted to \$719,244.	\$ (619,619)
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	\$ 1,709,653
The refunding of debt reported as a reduction of current financial resources in the governmental funds, but the refunding decreases long-term liabilities in Statement of Net Assets	\$ 8,330,000
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.	\$ (26,007)
Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activities.	\$ (19,825,083)
The deferred credit on bonds payable is reported in the statement of activities, but not in the governmental funds.	\$ (917,475)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities.	\$ (11,897)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ (159,910)
The governmental funds reported a decrease in reserve for inventory while the transaction is not reported in the statement of activities.	<u>\$ (10,426)</u>
Changes in net assets of governmental activities	<u><u>\$ (485,565)</u></u>

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

Columbus Municipal School District
Statement of Net Assets - Fiduciary Funds
June 30, 2008

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 2)	\$ 1,946	\$ 691,210
Due from other governments	\$ 2,500	
Total Assets	<u>\$ 4,446</u>	<u>\$ 691,210</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 630,377
Due to student clubs		\$ 60,833
Total Liabilities	<u>\$ -</u>	<u>\$ 691,210</u>
Net Assets		
Reserved for endowments	<u>\$ 4,446</u>	
Total Net Assets	<u>\$ 4,446</u>	

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

Columbus Municipal School District
 Statement of Changes in Fiduciary Net Assets
 For the Year Ended June 30, 2008

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Contributions and donations from private sources	<u>\$ 3,000</u>
Total Additions	<u>\$ 3,000</u>
Deductions	
Scholarships awarded	<u>\$ 2,500</u>
Total Deductions	<u>\$ 2,500</u>
Changes in Net Assets	<u>\$ 500</u>
Net Assets	
July 1, 2007	<u>\$ 3,946</u>
June 30, 2008	<u>\$ 4,446</u>

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

This page left blank intentionally.

Columbus Municipal 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Columbus since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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 nonmajor governmental funds.

The school district reports the following major governmental funds:

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

QZAB Fund – This fund is used to account for the expenditures associated with the issuance of interest free Qualified Zone Academy Bonds. The expenditures are primarily limited to repairs and renovations of school buildings.

Capital Project Fund – This capital projects fund will be used to account for future construction projects of the district.

Middle School Building Fund – This capital projects fund is used to account for the expenditures associated with the construction of the middle school.

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

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

The District’s fiduciary funds include the following:

Payroll Clearing Fund – This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing – This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts – These funds are used to account for the transaction of student clubs.

McKellar Scholarship Fund – This private purpose fund is used to provide scholarships for selective students each year.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUNDS

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

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

C. Measurement Focus and Basis of Accounting.

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

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

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

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

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

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

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

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

D. Account Classifications.

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

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments.

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables.

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

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

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased. Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

5. Restricted Assets

The proceeds of bond issues and 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.

6. Capital Assets.

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

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

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

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

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

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

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

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

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

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

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.

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.

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$28,352,885 and \$693,156, respectively. The carrying amount of deposits reported in the

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$28,352,885 and \$693,156, respectively. The carrying amount of deposits reported in the government-wide financial statements was cash and cash equivalents of \$15,068,082. The bank balance was \$29,478,113.

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.

(3) **Interfund Receivables, Payables and Transfers.**

The following is a summary of interfund transactions and balances:

A. **Due From/To Other Funds.**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 264,933
Total		<u>\$ 264,933</u>

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

B. **Interfund Transfers.**

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 1,164,564
Other governmental funds	General Fund	\$ 352,398
Total		<u>\$ 1,516,962</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, and other programs, in the Other Governmental Funds. The transfer from the Other Governmental Funds to the General Fund was primarily for indirect cost.

(4) **Restricted Assets.**

The restricted assets (\$13,284,803) represent the cash balance of the Major Fund – QZAB Fund, Major Fund – Middle School Building Fund and the Debt Services Funds within the Other Governmental Funds. These funds are legally restricted and may not be used for purposes that support the district's programs.

(5) **Capital Assets.**

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

	<u>Balance 7-1-2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance 6-30-2008</u>
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,571,078				\$ 1,571,078
Total non-depreciable capital assets	\$ 1,571,078	\$ 0	\$ 0	\$ 0	\$ 1,571,078
<u>Depreciable capital assets:</u>					
Buildings	\$ 35,389,765				\$ 35,389,765

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

	Balance 7-1-2007	Additions	Retirements	Adjustments	Balance 6-30-2008
Governmental Activities:					
Mobile equipment	\$ 3,362,709	\$ 99,625	\$ (114,325)	\$ 14,628	\$ 3,362,637
Furniture and equipment	\$ 1,374,662		\$ (46,459)	\$ 24,375	\$ 1,352,578
Total depreciable capital assets	<u>\$ 40,703,694</u>	<u>\$ 99,625</u>	<u>\$ (160,784)</u>	<u>\$ 39,003</u>	<u>\$ 40,681,538</u>
Less accumulated depreciation for:					
Buildings	\$ 14,530,039	\$ 459,312			\$ 14,989,351
Improvements other than buildings	\$ 354,494	\$ 13,344			\$ 367,838
Mobile equipment	\$ 2,261,381	\$ 160,873	\$ (102,893)	\$ 1,979	\$ 2,321,340
Furniture and equipment	\$ 1,091,548	\$ 85,715	\$ (45,994)	\$ 3,447	\$ 1,134,716
Total depreciation	<u>18,237,462</u>	<u>719,244</u>	<u>(148,887)</u>	<u>5,426</u>	<u>18,813,245</u>
Total depreciable capital assets, net	<u>\$ 22,466,232</u>	<u>\$ (619,619)</u>	<u>\$ (11,897)</u>	<u>\$ 33,577</u>	<u>\$ 21,868,293</u>
Governmental activities capital assets, net	<u>\$ 24,037,310</u>	<u>\$ (619,619)</u>	<u>\$ (11,897)</u>	<u>\$ 33,577</u>	<u>\$ 23,439,371</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 485,959
Support services	\$ 209,743
Non-instructional	\$ 23,542
Total Depreciation Expense	<u>\$ 719,244</u>

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

Governmental Activities	Spent to June 30, 2008	Remaining Commitment
Columbus High School Renovation	<u>\$ 1,539,988</u>	<u>\$ 736,300</u>

Construction projects included in governmental activities are funded with the Major Fund – QZAB Fund.

(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	Adjustments	Balance 6-30-2008	Amounts due within one year
A. General obligation bonds payable	\$ 9,460,000	\$ 18,344,500	\$ 1,055,000	\$ (8,330,000)	\$ 18,419,500	\$ 1,696,500
B. Three mill notes payable	\$ 5,060,000		\$ 525,000		\$ 4,535,000	\$ 550,000
C. Shortfall notes payable	\$ 174,996		\$ 129,653		\$ 45,343	\$ 45,343
D. Qualified zone academy bonds payable	\$ 0	\$ 1,480,583			1,480,583	
E. Compensated absences payable	\$ 314,802	\$ 26,007			340,809	\$ 17,040
Total	<u>\$ 15,009,798</u>	<u>\$ 19,851,090</u>	<u>\$ 1,709,653</u>	<u>\$ (8,330,000)</u>	<u>\$ 24,821,235</u>	<u>\$ 2,308,883</u>

A. General obligation bonds payable.

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

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, 2003	1.55 – 2.55	4-1-03	8-1-08	\$ 495,000	\$ 75,000
2. General obligation refunding bonds, 2007	3.65	12-19-07	9-1-14	\$ 8,394,500	\$ 8,394,500
3. General obligation bonds, 2008	3.75	5-9-08	5-1-23	\$ 9,950,000	\$ 9,950,000
Total				<u>\$ 18,839,500</u>	<u>\$ 18,419,500</u>

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

1. Bond issue of 4-1-03.

Year Ending June 30	Principal	Interest	Total
2009	\$ 75,000	\$ 9,625	\$ 84,625
Total	<u>\$ 75,000</u>	<u>\$ 9,625</u>	<u>\$ 84,625</u>

The General Obligation Refunding Bonds, 2003 were sold with a variable interest rate. There are no terms by which the interest rates change other than the timelines based on the sale of the bonds. This debt will be retired from the General Fund.

2. Bond issue of 12-19-07.

Year Ending June 30	Principal	Interest	Total
2009	\$ 1,121,500	\$ 347,212	\$ 1,468,712
2010	\$ 1,176,000	\$ 244,003	\$ 1,420,003
2011	\$ 1,207,000	\$ 200,513	\$ 1,407,513
2012	\$ 1,156,000	\$ 157,388	\$ 1,313,388
2013	\$ 1,201,000	\$ 114,373	\$ 1,315,373
2014 – 2015	\$ 2,533,000	\$ 93,203	\$ 2,626,203
Total	<u>\$ 8,394,500</u>	<u>\$ 1,156,692</u>	<u>\$ 9,551,192</u>

This debt will be retired from the GO Bond Retirement Fund (Debt Service Fund).

3. Bond issue of 5-9-08.

Year Ending June 30	Principal	Interest	Total
2009	\$ 500,000	\$ 335,813	\$ 835,813
2010	\$ 200,000	\$ 318,937	\$ 518,937
2011	\$ 250,000	\$ 312,187	\$ 562,187
2012	\$ 300,000	\$ 303,750	\$ 603,750
2013	\$ 350,000	\$ 293,625	\$ 643,625
2014 – 2018	\$ 2,950,000	\$ 1,236,939	\$ 4,186,939
2019 – 2023	\$ 5,400,000	\$ 530,728	\$ 5,930,728
Total	<u>\$ 9,950,000</u>	<u>\$ 3,331,979</u>	<u>\$ 13,281,979</u>

This debt will be retired from the GO Bond Retirement Fund (Debt Service Fund).

Total general obligation bond payments for all issues:

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

Year Ending June 30	Principal	Interest	Total
2009	\$ 1,696,500	\$ 692,650	\$ 2,389,150
2010	\$ 1,376,000	\$ 562,940	\$ 1,938,940
2011	\$ 1,457,000	\$ 512,700	\$ 1,969,700
2012	\$ 1,456,000	\$ 461,138	\$ 1,917,138
2013	\$ 1,551,000	\$ 407,998	\$ 1,958,998
2014 – 2018	\$ 5,483,000	\$ 1,330,142	\$ 6,813,142
2019 – 2023	\$ 5,400,000	\$ 530,728	\$ 5,930,728
Total	<u>\$ 18,419,500</u>	<u>\$ 4,498,296</u>	<u>\$ 22,917,796</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 9.0% of property assessments as of October 1, 2007.

Current Refunding.

On 12-19-07, the district issued \$8,394,500 in General Obligation Refunding Bonds with an average interest rate of 3.65 percent to advance refund \$8,330,000 of outstanding General Obligation Refunding Bonds, Series 1997, with an average interest rate of 4.75 percent. \$8,330,000 after payments of \$64,500 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the General Obligation Refunding Bonds, Series 1997.

As a result, the General Obligation Refunding Bonds, Series 1997 are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the General Obligation Refunding Bonds, Series 1997 to reduce its total debt service payments over the remaining six years of the debt by approximately \$428,492 and to obtain an economic gain of \$365,555.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2005	3.5 – 5.0	9-1-04	4-1-19	\$ 6,500,000	\$ 4,535,000

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 550,000	\$ 177,837	\$ 727,837
2010	\$ 375,000	\$ 150,337	\$ 525,337
2011	\$ 375,000	\$ 131,587	\$ 506,587
2012	\$ 365,000	\$ 116,587	\$ 481,587
2013	\$ 385,000	\$ 103,813	\$ 488,813
2014 – 2018	\$ 2,075,000	\$ 307,361	\$ 2,382,361
2019	\$ 410,000	\$ 15,375	\$ 425,375
Total	<u>\$ 4,535,000</u>	<u>\$ 1,002,897</u>	<u>\$ 5,537,897</u>

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

The Three Mill Notes, 2005 were sold with a variable interest rate. There are no terms by which the interest rates change other than the timelines based on the sale of the bonds. This debt will be retired from the Three Mill Note Fund (Debt Service Fund).

C Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes, 2005	5.33	8-23-05	8-23-08	\$ 255,000	\$ 45,343

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 45,343	\$ 1,028	\$ 46,371
Total	\$ 45,343	\$ 1,028	\$ 46,371

This debt will be retired from the Shortfall Note Fund (Debt Service Fund).

D. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds	0	5-15-08	7-15-19	\$ 1,480,583	\$ 1,480,583

E. Compensated absences payable.

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

(7) Other Commitments.

Commitments under renovation contracts amount to \$736,300.

(8) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$2,825,914, \$2,611,804 and \$2,468,884, respectively, which equaled the required contributions for each year.

(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. 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 June 30	Amount
2009	\$ 3,350
2010	\$ 3,350
2011	\$ 3,350
2012	\$ 3,350
2013	\$ 3,350
2014 – 2018	\$ 16,750
2019 – 2023	\$ 16,750
2024 – 2028	\$ 16,750
2029 – 2033	\$ 16,750
Thereafter	\$ 10,900
Total	\$ 94,650

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. Adjustment to capital assets for items previously omitted.	\$ <u>33,577</u>

(11) Subsequent Events.

During the 2009 FY, the district issued \$608,144 in tax shortfall notes. These notes will be repaid over a three year period using a special tax levy.

(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. 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.

(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. The school district, in agreement with North Mississippi Health Services and Rehab at Work,

Columbus Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2008

has entered into such an arrangement dated 5-12-08. North Mississippi Health Services will donate technical assistance for athletic physicals and trainer services. Rehab at Work will donate technical assistance for athletic physical therapy services. 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 June 30 of each year. 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 June 30	Amount
2009	\$ 10,000
2010	\$ 250,000
2011	\$ 250,000
2012	\$ 250,000
2013	\$ 250,000
2014 – 2018	\$ 1,250,000
Total	<u>\$ 2,260,000</u>

(14) Special Items.

During the year, the school district recognized a gain resulting from the amortized portion of the Deferred Credit on Bonds Payable as a special item in the amount of \$101,942.

(15) Deferred Credit on Bonds Payable.

Upon the issuance of the interest free Quality Zone Academy Bonds, the district incurred a deferred credit on bonds payable in the amount of \$1,019,417. The deferred credit is based on imputed interest at a rate of 5.5%. This deferred credit is reported on Statement of Net Assets and as such will be amortized over the life of the bonds using the straight line method at an annual cost of \$101,942. The unamortized balance was \$917,475 at fiscal year end.

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

Columbus Municipal School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 9,797,094	\$ 9,802,872	\$ 9,802,828	\$ 5,778	\$ (44)
State sources	\$ 21,627,646	\$ 21,777,419	\$ 21,777,419	\$ 149,773	\$ -
Federal sources	\$ 495,000	\$ 541,115	\$ 541,115	\$ 46,115	\$ -
Total Revenues	\$ 31,919,740	\$ 32,121,406	\$ 32,121,362	\$ 201,666	\$ (44)
Expenditures					
Instruction	\$ 17,709,513	\$ 18,133,316	\$ 18,133,047	\$ (423,803)	\$ 269
Support services	\$ 12,935,483	\$ 13,071,096	\$ 13,070,749	\$ (135,613)	\$ 347
Noninstructional services	\$ 44,441	\$ 51,273	\$ 51,262	\$ (6,832)	\$ 11
Debt service					
Principal	\$ 88,000	\$ 88,000	\$ 88,000	\$ -	\$ -
Interest	\$ 2,647	\$ 2,647	\$ 2,947	\$ -	\$ (300)
Other	\$ 3,000	\$ -	\$ -	\$ 3,000	\$ -
Total Expenditures	\$ 30,783,084	\$ 31,346,332	\$ 31,346,005	\$ (563,248)	\$ 327
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,136,656	\$ 775,074	\$ 775,357	\$ (361,582)	\$ 283
Other Financing Sources (Uses)					
Insurance loss recoveries	\$ -	\$ 246,699	\$ 246,699	\$ 246,699	\$ -
Sale of transportation equipment	\$ -	\$ 1,041	\$ 1,041	\$ 1,041	\$ -
Sale of other property	\$ -	\$ 100	\$ 100	\$ 100	\$ -
Operating transfers in	\$ 3,621,901	\$ 4,300,340	\$ 352,398	\$ 678,439	\$ (3,947,942)
Operating transfers out	\$ (4,847,504)	\$ (5,112,506)	\$ (1,164,564)	\$ (265,002)	\$ 3,947,942
Total Other Financing Sources (Uses)	\$ (1,225,603)	\$ (564,326)	\$ (564,326)	\$ 661,277	\$ -
Net Change in Fund Balances	\$ (88,947)	\$ 210,748	\$ 211,031	\$ 299,695	\$ 283
Fund Balances					
July 1, 2007			\$ 2,634,406		
June 30, 2008			<u>\$ 2,845,437</u>		

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

Columbus Municipal School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - QZAB Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ -	\$ 14,007	\$ 14,007	\$ 14,007	\$ -
Total Revenues	<u>\$ -</u>	<u>\$ 14,007</u>	<u>\$ 14,007</u>	<u>\$ 14,007</u>	<u>\$ -</u>
Expenditures					
Support services	\$ -	\$ 1,642,621	\$ 1,642,621	\$ (1,642,621)	\$ -
Debt service					
Other	\$ -	\$ 57,325	\$ 57,325	\$ (57,325)	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ 1,699,946</u>	<u>\$ 1,699,946</u>	<u>\$ (1,699,946)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (1,685,939)</u>	<u>\$ (1,685,939)</u>	<u>\$ (1,685,939)</u>	<u>\$ -</u>
Other Financing Sources (Uses)					
Proceeds of qualified zone academy bonds	\$ -	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ -
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 814,061</u>	<u>\$ 814,061</u>	<u>\$ 814,061</u>	<u>\$ -</u>
Fund Balances					
July 1, 2007			\$ -		
June 30, 2008			<u>\$ 814,061</u>		

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

Columbus Municipal School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2008

(1) **Basis of Presentation.**

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

(2) **Budget Amendments and Revisions.**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

This page left blank intentionally.

SUPPLEMENTARY INFORMATION

This page left blank intentionally.

Columbus Municipal 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 No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 718,169
National school lunch program	10.555	\$ 1,785,320
Summer food service program for children	10.559	\$ 95,686
Total child nutrition cluster		<u>\$ 2,599,175</u>
Total U.S. Department of Agriculture		<u>\$ 2,599,175</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	\$ 72,167
Total U.S. Department of Defense		<u>\$ 72,167</u>
<u>U.S. Department of Justice</u>		
Passed-through Office of Community Oriented Policing Services:		
Public safety partnership and community policing grants	16.710	\$ 54,182
Total U.S. Department of Justice		<u>\$ 54,182</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	\$ 55,673
Total Federal Communications Commission		<u>\$ 55,673</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Impact aid	84.041	\$ 122,017
Total		<u>\$ 122,017</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 2,209,082
Career and technical education - basic grants to states	84.048	\$ 91,170
Safe and drug-free schools and communities - state grants	84.186	\$ 50,561
Fund for the improvement of education	84.215	\$ 143,495
Twenty first century community learning centers	84.287	\$ 267,123
State grants for innovative programs	84.298	\$ 14,836
Education technology - state grants	84.318	\$ 216,551
Comprehensive school reform demonstration	84.332	\$ 72,193
Gaining early awareness and readiness for undergraduate programs	84.334	\$ 32,025
Improving teacher quality – state grants	84.367	\$ 556,917
Grants for state assessments and related activities	84.369	\$ 38,338
Total		<u>\$ 3,692,291</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 985,394

Columbus Municipal 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 No.	Federal Expenditures
Special education - preschool grants	84.173	\$ 70,535
Total		\$ 1,055,929
Total passed-through Mississippi Department of Education		\$ 4,748,220
Total U.S. Department of Education		\$ 4,870,237
Total for All Federal Awards		\$ 7,651,434

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 31,947,790	\$ 23,585,054	\$ 859,033	\$ 2,318,222	\$ 5,185,481
Other	\$ 12,776,174	\$ 3,366,741	\$ 461,167	\$ 148,506	\$ 8,799,760
Total	<u>\$ 44,723,964</u>	<u>\$ 26,951,795</u>	<u>\$ 1,320,200</u>	<u>\$ 2,466,728</u>	<u>\$ 13,985,241</u>
Total number of students	<u>4,436</u>				
Cost per student	<u>\$ 10,082</u>	<u>\$ 6,076</u>	<u>\$ 298</u>	<u>\$ 556</u>	<u>\$ 3,153</u>

Notes to the schedule.

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

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

This page left blank intentionally.

OTHER SUPPLEMENTARY INFORMATION

This page left blank intentionally.

Columbus Municipal School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 9,802,828	\$ 9,508,194	\$ 9,899,270	\$ 9,729,895
State sources	\$ 21,777,419	\$ 20,560,543	\$ 20,021,215	\$ 19,038,743
Federal sources	\$ 541,115	\$ 539,197	\$ 455,493	\$ 557,738
Total Revenues	<u>\$ 32,121,362</u>	<u>\$ 30,607,934</u>	<u>\$ 30,375,978</u>	<u>\$ 29,326,376</u>
Expenditures				
Instruction	\$ 18,133,047	\$ 16,505,427	\$ 15,851,857	\$ 15,301,853
Support services	\$ 13,070,749	\$ 12,616,587	\$ 12,255,909	\$ 11,108,120
Noninstructional services	\$ 51,262	\$ 62,799	\$ 43,464	\$ 43,989
Debt service				
Principal	\$ 88,000	\$ 85,000	\$ 82,589	\$ 86,000
Interest	\$ 2,947	\$ 4,873	\$ 6,944	\$ 8,011
Total Expenditures	<u>\$ 31,346,005</u>	<u>\$ 29,274,686</u>	<u>\$ 28,240,763</u>	<u>\$ 26,547,973</u>
Excess of Revenues Over Expenditures	<u>\$ 775,357</u>	<u>\$ 1,333,248</u>	<u>\$ 2,135,215</u>	<u>\$ 2,778,403</u>
Other Financing Sources (Uses)				
Proceeds of loans	\$ -	\$ -	\$ 201,450	\$ 200,842
Insurances loss recoveries	\$ 246,699	\$ 5,923	\$ 107,995	\$ 3,924
Sale of transportation equipment	\$ 1,041	\$ 898	\$ -	\$ 1,150
Sale of other property	\$ 100	\$ -	\$ -	\$ -
Operating transfers in	\$ 352,398	\$ 194,876	\$ 111,256	\$ 3,835,653
Operating transfers out	\$ (1,164,564)	\$ (1,205,708)	\$ (2,593,853)	\$ (5,392,430)
Total Other Financing Uses	<u>\$ (564,326)</u>	<u>\$ (1,004,011)</u>	<u>\$ (2,173,152)</u>	<u>\$ (1,350,861)</u>
Net Change in Fund Balances	<u>\$ 211,031</u>	<u>\$ 329,237</u>	<u>\$ (37,937)</u>	<u>\$ 1,427,542</u>
Fund Balances				
July 1	\$ 2,634,406	\$ 2,305,169	\$ 2,585,161	\$ 1,157,619
Prior period adjustments	\$ -	\$ -	\$ (242,055)	\$ -
July 1, as restated	<u>\$ 2,634,406</u>	<u>\$ 2,305,169</u>	<u>\$ 2,343,106</u>	<u>\$ 1,157,619</u>
June 30	<u>\$ 2,845,437</u>	<u>\$ 2,634,406</u>	<u>\$ 2,305,169</u>	<u>\$ 2,585,161</u>

* Source - prior year audit reports.

Columbus Municipal School District
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 12,687,480	\$ 12,348,139	\$ 12,860,554	\$ 12,557,898
State sources	\$ 22,745,944	\$ 21,444,838	\$ 20,817,584	\$ 19,859,252
Federal sources	\$ 7,564,261	\$ 7,429,649	\$ 7,808,634	\$ 6,686,446
Sixteenth section sources	\$ 9,138	\$ 9,927	\$ 11,145	\$ 7,374
Total Revenues	\$ 43,006,823	\$ 41,232,553	\$ 41,497,917	\$ 39,110,970
Expenditures				
Instruction	\$ 23,569,082	\$ 21,764,829	\$ 21,198,373	\$ 20,134,847
Support services	\$ 16,181,957	\$ 13,820,306	\$ 13,964,098	\$ 13,325,640
Noninstructional services	\$ 2,396,468	\$ 2,480,520	\$ 2,797,498	\$ 2,398,023
Sixteenth section	\$ 1,500	\$ 925	\$ -	\$ -
Facilities acquisition and construction	\$ -	\$ -	\$ 359,724	\$ 5,808,141
Debt service				
Principal	\$ 1,709,653	\$ 1,715,721	\$ 1,831,344	\$ 2,401,905
Interest	\$ 645,736	\$ 705,676	\$ 771,857	\$ 731,177
Debt issuance costs	\$ 216,068	\$ -	\$ -	\$ -
Other	\$ 3,500	\$ 500	\$ 2,000	\$ 2,430
Total Expenditures	\$ 44,723,964	\$ 40,488,477	\$ 40,924,894	\$ 44,802,163
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,717,141)	\$ 744,076	\$ 573,023	\$ (5,691,193)
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	\$ 9,950,000	\$ -	\$ -	\$ -
Proceeds of refunding bonds	\$ 8,394,500	\$ -	\$ -	\$ -
Proceeds of loans	\$ 2,500,000	\$ -	\$ 255,000	\$ 6,752,000
Insurances loss recoveries	\$ 246,699	\$ 5,923	\$ 107,995	\$ 3,924
Sale of transportation equipment	\$ 1,041	\$ 898	\$ -	\$ 1,150
Sale of other property	\$ 100	\$ -	\$ -	\$ -
Operating transfers in	\$ 1,516,962	\$ 1,597,106	\$ 2,705,110	\$ 6,071,743
Other financing sources	\$ -	\$ 627	\$ -	\$ 1,028
Operating transfers out	\$ (1,516,962)	\$ (1,597,106)	\$ (2,705,110)	\$ (6,071,743)
Payment to refunded bond escrow agent	\$ (8,330,000)	\$ -	\$ -	\$ -
Total Other Financing Sources (Uses)	\$ 12,762,340	\$ 7,448	\$ 362,995	\$ 6,758,102
Net Change in Fund Balances	\$ 11,045,199	\$ 751,524	\$ 936,018	\$ 1,066,909
Fund Balances				
July 1	\$ 13,769,769	\$ 13,125,230	\$ 12,196,583	\$ 11,132,145
Prior period adjustments	\$ -	\$ (93,971)	\$ (8,884)	\$ -
July 1, as restated	\$ 13,769,769	\$ 13,031,259	\$ 12,187,699	\$ 11,132,145
Increase (Decrease) in reserve for inventory	\$ (10,426)	\$ (13,014)	\$ 1,513	\$ (2,471)
June 30	\$ 24,804,542	\$ 13,769,769	\$ 13,125,230	\$ 12,196,583

* Source - prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

This page left blank intentionally.

CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Columbus Municipal School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2008, which collectively comprise the district's basic financial statements and have issued my report thereon dated March 23, 2009. I conducted my 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 my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I 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 school district'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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. See Findings 2008-01, 2008-02, 2008-03 and 2008-04.

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.

My 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 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, I 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The school district's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS
March 23, 2009

CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Columbus Municipal School District

Compliance

I have audited the compliance of the Columbus Municipal 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 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

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

My 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS
March 23, 2009

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

This page left blank intentionally.

CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Columbus Municipal School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbus Municipal School District as of and for the year ended June 30, 2008, which collectively comprise Columbus Municipal School District's basic financial statements and have issued my report thereon dated March 23, 2009. I conducted my 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."

The results of my 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. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion. The district reported \$12,585 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 my 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. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion.

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

The results of procedures performed to test compliance with certain other state laws and regulations as required by the state legal compliance audit program prescribed by the Office of the Mississippi State Auditor and my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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



Ridgeland, MS
March 23, 2009

This page left blank intentionally.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

Columbus Municipal School District
 Schedule of Findings and Questioned Costs
 June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency 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 program identified as major program: | |
| | a. Title I grants to local educational agencies | |
| | CFDA #: 84.010 | |
| | b. Improving teacher quality – state grants | |
| | CFDA #: 84.367 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

Section 2: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Findings 2008-01.

CONDITION: The high school bookkeeper prepares receipts for funds received, prepares deposit slips, makes the bank deposit, codes the transaction and performs data entry into the accounting system.

CRITERIA: A well designed system of accounting controls would be such that no one person is charged with all the duties indicated above.

CAUSE OF CONDITION: The cause of the condition is the result of a limited staff with adequate knowledge to perform the procedure.

EFFECT OF CONDITION: The effect of the condition could lead to errors resulting in misstatement to the financial statements that could go undetected or not be detected within a timely manner.

RECOMMENDATION: It is recommended that the district consider segregating these duties to greatest extent possible.

Columbus Municipal School District
Schedule of Findings and Questioned Costs
June 30, 2008

Finding 2008-02.

CONDITION: The payroll clerk enters all data associated with the processing of payroll, including employee data, transaction coding and direct deposit information.

CRITERIA: A well designed system of accounting controls would have someone other than the payroll clerk entering direct deposit information.

CAUSE OF CONDITION: The cause is the result of an inadequately designed system.

EFFECT OF CONDITION: This condition could result in the payment of unauthorized payroll. It could also result in errors occurring and those errors not being prevented or detected in a timely manner.

RECOMMENDATION: It is recommended that the financial accounting software be modified so that someone other than the payroll clerk has rights and access to direct deposit information.

Finding 2008-03.

CONDITION: The accounts payable clerk prepares claims for payment and affixes the electronic signature to the checks.

CRITERIA: A well designed system of accounting controls would have someone other than the accounts payable clerk affixing the electronic signature to the checks.

CAUSE OF CONDITION: The cause is the result of an inadequately designed system.

EFFECT OF CONDITION: This condition could also result in errors occurring and those errors not being prevented or detected in a timely manner.

RECOMMENDATION: It is recommended that the financial accounting software be modified so that someone other than the accounts payable clerk has rights and access to affixing the electronic signature to the checks.

Finding 2008-04.

CONDITION: Blank checks were not properly secured.

CRITERIA: A well designed system of accounting controls would have blank checks stored in a secured (locked) location with access only available to limited personnel.

CAUSE OF CONDITION: The cause of this condition is the result of an inadequately designed system of accounting controls.

EFFECT OF CONDITION: This condition could result in unaccounted for checks or stolen checks with the possibility of intentional misuse and the condition not being detected by school management in a timely manner.

RECOMMENDATION: It is recommended that blank checks be kept in a secure and locked place with documented sign in and out procedures.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

This page left blank intentionally.

Columbus Municipal School District

Del R. Phillips, III, Ph.D., Superintendent

2630 McArthur Drive P.O. Box 1308

Columbus, Mississippi 39703

(662) 241-7400

FAX (662) 241-7453

Craig Shannon
Special Assistant to the Superintendent

Anthony Brown
Assistant Superintendent of Federal & Special Programs

J. David Sullivan
Assistant Superintendent of Secondary Education

Martha Liddell, Ed.D.
Assistant Superintendent of Elementary Education

March 23, 2009

As required by Section 315© of OMB Circular A-133, the Columbus Municipal 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.

Finding

2008-01

Corrective Action Plan

- a. Contact person responsible for corrective action is Kenneth Hughes, CFO.
- b. The district is willing to consider any recommendations that would give assurance that funds would be deposited; however simply segregating the deposit duties does not provide any assurance that that person would not deposit all the funds received. The district has controls in place to reconcile all funds received with all funds deposited. That is done at the first of each month for the prior month. The district believes this to be a preventable internal control.
- c. Once the district is given a recommendation that will provide additional assurance above and beyond the controls in place.

Finding

2008-02

Corrective Action Plan

- a. Contact person responsible for corrective action is Kenneth Hughes, CFO.
- b. Denying the payroll clerk access to direct deposit information, such as checking account numbers, and requiring another staff member to key that information does not provide any additional assurance than what is currently in place.
- c. Once the district is given a recommendation that will provide additional assurance above and beyond the controls in place.

Finding

2008-03



- A Rising Star

Corrective Action Plan

- a. Contact person responsible for corrective action is Kenneth Hughes, CFO.
- b. Having someone other than the accounts payable clerk to print the accounts payable checks does not provide any additional assurance than what is currently in place.
- c. Once the district is given a recommendation that will provide additional assurance above and beyond the controls in place.

Finding

2008-04

Corrective Action Plan

- a. Contact person responsible for corrective action is Kenneth Hughes, CFO.
- b. The district concurred with this finding.
- c. The checks were put in a locked cabinet the following work day after the recommendation was made.

Sincerely,



Superintendent of Education



- A Rising Star

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

This page left blank intentionally.

Columbus Municipal School District

Del R. Phillips, III, Ph.D., Superintendent

2630 McArthur Drive P.O. Box 1308

Columbus, Mississippi 39703

(662) 241-7400

FAX (662) 241-7453

Craig Shannon
Special Assistant to the Superintendent

J. David Sullivan
Assistant Superintendent of Secondary Education

Anthony Brown
Assistant Superintendent of Federal & Special Programs

Martha Liddell, Ed.D.
Assistant Superintendent of Elementary Education

Summary Schedule of Prior Audit Findings

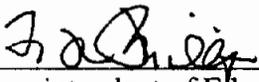
March 23, 2009

Financial and Compliance Audit Division

As required by Section ____ .315(b) of OMB Circular A-133, the Columbus Municipal School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2008.

<u>Finding</u>	<u>Status</u>
07-03	Corrected

Sincerely,



Superintendent of Education



- A Rising Star

This page left blank intentionally.