



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.

**McComb School District
Financial Statements
For the Year Ended
June 30, 2008**

McComb School District

TABLE OF CONTENTS

Financial Audit Report	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	2
Management's Discussion and Analysis	4
Financial Statements	13
Statement of Net Assets	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Assets and Liabilities	20
Notes to the Financial Statements	21
Required Supplementary Information	37
Budgetary Comparison Schedule	38
Notes to the Required Supplementary Information	39
Supplemental Information	40
Schedule of Expenditures of Federal Awards	41
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	43
Other Supplemental Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund-Last Four Years	45
Statement of Revenues, Expenditures, and Changes in Fund Balance All Governmental Funds-Last Four Years	46

Reports on Internal Control and Compliance	47
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	50
Independent Auditor's Report on Compliance with State Laws and Regulations	52
Schedule of Findings and Questioned Costs	55

McComb School District

FINANCIAL AUDIT REPORT

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

*Member of Mississippi Society
of Certified Public Accountants*

215 SOUTH RAILROAD AVENUE
BROOKHAVEN, MISSISSIPPI 39601

PHONE (601) 833-1456
FAX (601) 833-9896
EMAIL: plowery3@bellsouth.net

*Member of American Institute
of Certified Public Accountants*

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

Superintendent and School Board
McComb School District

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

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

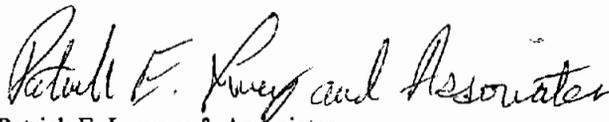
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the McComb School District, as of June 30, 2008 and the respective changes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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008 on our consideration of the McComb School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedules and corresponding notes on pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McComb 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 of McComb School District. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Patrick E. Lowery & Associates
Certified Public Accountants

November 7, 2008

McComb School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

McComb School District

P.O. Box 868, 695 Minnesota Avenue
McComb, MS 39649



The discussion and analysis of the McComb 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, increased \$1,019,673, which represents a 10% increase from fiscal year 2007. This increase in net assets is primarily due to the following: 1) capital outlays during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 2) repayment of debt principal during the fiscal year was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets, and 3) sixteenth section sources generated during the fiscal year primarily from oil and gas royalties and earnings on investments.
- General revenues accounted for \$22,134,204 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,151,113, or 22% of total revenues.
- The District had \$27,261,546 in expenses; only \$6,151,113 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$22,134,204 were adequate to provide for these programs.
- Among major funds, the General Fund had \$20,162,851 in revenues and \$19,697,981 in expenditures. After net other financing uses of \$265,423, the net change in fund balance for the General Fund was an increase of \$199,447 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, increased by \$126,417.
- Long-term debt decreased by \$263,550.

Fax (601) 249-4732

Phone (601) 684-4661

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

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.

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

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 statement has been provided for the General 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 is also included in this report.

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 \$11,343,027 as of June 30, 2008.

MCCOMB SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 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. \$5,566,005 of the District's net assets (49%) reflects its investment in capital assets (e.g., land, buildings, building improvements, 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. \$4,282,421 of the District's net assets (38%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment and other permanent fund purposes. \$1,494,601 of the District's net assets (13%) 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.

	Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
Current assets	\$ 5,974,949	\$ 6,037,592	(1.0) %
Other assets	2,806,461	2,209,052	27.0 %
Capital assets, net	<u>11,590,931</u>	<u>11,464,514</u>	1.1 %
Total assets	<u>20,372,341</u>	<u>19,711,158</u>	3.4 %
Current liabilities	1,268,139	1,363,079	(7.0) %
Long-term debt outstanding	<u>7,761,175</u>	<u>8,024,725</u>	(3.3) %
Total liabilities	<u>9,029,314</u>	<u>9,387,804</u>	(3.8) %
Net assets:			
Invested in capital assets, net of related debt	5,566,005	6,201,199	(10.2) %
Restricted	4,282,421	3,949,042	8.4 %
Unrestricted	<u>1,494,601</u>	<u>173,113</u>	762.1 %
Total net assets	<u>\$ 11,343,027</u>	<u>10,323,354</u>	9.9 %

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

- Other assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents in the 16th Section Principal Fund. Cash and cash equivalents, cash with fiscal agents and investments in the 16th Section Principal Fund, MAEP Retirement Fund and QZAB Debt Retirement Fund are reported as other (restricted) assets on the Statement of Net Assets.

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

- Net assets invested in capital assets, net of related debt, decreased from the previous fiscal year. In the previous fiscal year, the total outstanding balance of the QZAB payable reduced the unrestricted net assets on the Statement of Net Assets. In the current fiscal year, only the non-capital related portion of the QZAB payable (\$1.3M) reduced the unrestricted net assets and the capital related portion (\$1.2M) reduced the net assets invested in capital assets, net of related debt, therefore causing a decrease from the previous fiscal year. However, this reporting of the QZAB payable on the Statement of Net Assets increased the unrestricted net assets from the previous fiscal year.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$28,285,317. The total cost of all programs and services was \$27,261,546. 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 Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 477,876	\$ 521,821	(8.4) %
Operating grants and contributions	5,673,237	5,738,397	(1.1) %
General revenues:			
Property taxes	6,028,599	6,023,231	0.1 %
Grants and contributions not restricted	14,860,865	13,882,798	7.0 %
Other	<u>1,244,740</u>	<u>1,290,003</u>	(3.5) %
Total revenues	<u>28,285,317</u>	<u>27,456,250</u>	3.0 %
Expenses:			
Instruction	15,500,133	14,924,135	3.9 %
Support services	9,068,789	9,561,626	(5.2) %
Non-instructional	2,452,872	2,274,404	7.8 %
Sixteenth section	485	3,713	(86.9) %
Interest and other expenses on long-term liabilities	<u>239,267</u>	<u>324,077</u>	(26.2) %
Total expenses	<u>27,261,546</u>	<u>27,087,955</u>	0.6 %
Increase (Decrease) in net assets	1,023,771	368,295	178.0 %
Net Assets, July 1	10,323,354	9,955,059	3.7 %
Prior Period Adjustments	<u>(4,098)</u>	<u>0</u>	
Net Assets, Restated, July 1	<u>10,319,256</u>	<u>9,955,059</u>	3.7 %
Net Assets, June 30	<u>\$11,343,027</u>	<u>\$ 10,323,354</u>	9.9 %

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

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

- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, specifically an increase in MAEP funds.

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.

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 15,500,133	\$ (12,444,886)	\$ 14,924,135	\$ (11,916,657)
Support services	9,068,789	(7,746,400)	9,561,626	(8,130,296)
Non-instructional	2,452,872	(681,352)	2,274,404	(454,160)
Sixteenth section	485	1,472	3,713	(2,547)
Interest and other expenses on long-term liabilities	<u>239,267</u>	<u>(239,267)</u>	<u>324,077</u>	<u>(324,077)</u>
Total expenses	<u>\$ 27,261,546</u>	<u>\$ (21,110,433)</u>	<u>\$ 27,087,955</u>	<u>\$ (20,827,737)</u>

- The net cost of governmental activities for fiscal year 2008 in the amount of \$21,110,433 was financed by general revenue, which is made up of primarily property taxes of \$6,028,599 and state revenue of \$14,141,495.
- Investment earnings accounted for \$291,327 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 \$7,593,332. The net change in fund balance for the fiscal year was an increase of \$645,217 due primarily to the increase in MAEP funds received during the fiscal year, sixteenth section sources generated primarily from oil and gas royalties and earnings on investments, and proceeds from a shortfall note obtained during the fiscal year. \$4,120,091, or

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

54% 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 Permanent Funds is a result of earnings on sixteenth section investments in the 16th Section Principal Fund that have not yet been transferred to the 16th Section Interest Fund but may be transferred in the future. The remaining fund balance of \$3,473,241, or 46%, 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 advances, inventory, prepaid items, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund 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 \$199,447 due primarily to the increased amount of revenue from state sources received related to MAEP and proceeds from a shortfall note obtained during the fiscal year. The net change in fund balance for the 16th Section Principal Fund for the fiscal year was an increase of \$846,077 due to sixteenth section sources generated during the fiscal year primarily from oil and gas royalties and earnings on investments. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$400,307 due primarily to the deficiency of revenues and other financing sources over expenditures and other financing uses in the QZAB Project Fund related to the renovation/construction of school facilities.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. However, the 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 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 \$18,741,046, including land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$466,384 from the previous year. During the fiscal year, the District completed building improvements related to the Tiger Activity Center and other improvements other than buildings and the District also purchased two new school buses. Total depreciation expense for the year was \$429,475. Total accumulated depreciation as of June 30, 2008 was \$7,150,115, resulting in total net capital assets of \$11,590,931.

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

	<u>Capital Assets, Net of Depreciation</u>		Percentage <u>Change</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 123,362	\$ 123,362	0.0 %
Construction in progress	0	1,042,002	(100.0) %
Buildings	8,469,199	8,649,122	(2.1) %
Building improvements	1,966,907	743,695	164.5 %
Improvements other than buildings	257,561	139,427	84.7 %
Mobile equipment	576,186	521,700	10.4 %
Furniture and equipment	197,716	245,206	(19.4) %
Total	<u>\$11,590,931</u>	<u>\$ 11,464,514</u>	1.1 %

Debt Administration. At June 30, 2008, the District had \$7,761,175 in limited obligation bonds and other long-term debt outstanding, of which \$767,900 is due within one year. During the fiscal year, the District made principal payments in the amount of \$510,374 and obtained a new shortfall note payable in the amount of \$253,411.

	<u>Outstanding Debt</u>		Percentage <u>Change</u>
	<u>2008</u>	<u>2007</u>	
Limited obligation bonds payable	\$ 3,595,000	\$ 3,730,000	(3.6) %
Three mill notes payable	1,097,468	1,343,850	(18.3) %
Shortfall notes payable	333,584	152,158	119.2 %
Other loans payable	132,458	189,465	(30.1) %
Qualified zone academy bonds payable	2,500,000	2,500,000	0.0 %
Compensated absences payable	102,665	109,252	(6.0) %
Total	<u>\$ 7,761,175</u>	<u>\$ 8,024,725</u>	(3.3) %

CURRENT ISSUES

The McComb 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 McComb School District, P. O. Box 868, McComb, MS 39649-0868.

McComb School District

FINANCIAL STATEMENTS

McComb School District
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
Assets	
Cash and cash equivalents	\$ 4,949,506
Due from other governments	954,465
Inventories and prepaid items	70,978
Restricted assets	2,806,461
Capital assets, not being depreciated:	
Land	123,362
Capital assets, net of accumulated depreciation:	
Buildings	8,469,199
Building improvements	1,966,907
Improvements other than buildings	257,561
Mobile equipment	576,186
Furniture and equipment	<u>197,716</u>
 Total Assets	 \$ <u>20,372,341</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 60,689
Due to other governments	1,127,080
Unearned revenue	309
Interest payable on long-term liabilities	80,061
Long-term liabilities, due within one year	
Capital related liabilities	599,517
Non-capital related liabilities	168,383
Long-term liabilities, due beyond one year	
Capital related liabilities	6,725,409
Non-capital related liabilities	<u>267,866</u>
 Total Liabilities	 \$ <u>9,029,314</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 5,566,005
Restricted net assets:	
Expendable:	
School - based activities	962,407
Debt service	700,185
Forestry improvements	31,010
Unemployment benefits	82,069
Non-expendable:	
Sixteenth section	2,470,459
Other	36,291
Unrestricted	<u>1,494,601</u>
 Total Net Assets	 \$ <u>11,343,027</u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 15,500,133	341,324	2,713,923	-	(12,444,886)
Support services	9,068,789	-	1,322,389	-	(7,746,400)
Non-instructional	2,452,872	134,595	1,636,925	-	(681,352)
Sixteenth section	485	1,957	-	-	1,472
Interest on long-term liabilities	239,267	-	-	-	(239,267)
Total governmental activities	\$ 27,261,546	477,876	5,673,237	-	(21,110,433)

General Revenues:

Taxes:

General purpose levies	5,651,625
Debt purpose levies	376,974

Unrestricted grants and contributions:

State	14,141,495
Federal	719,370
Unrestricted investment earnings	291,327
Sixteenth section sources	799,262
Other	154,151
Total General Revenues	22,134,204

Change in Net Assets 1,023,771

Net Assets-Beginning	10,323,354
Prior Period Adjustments	(4,098)
Net Assets-Beginning-Restated	10,319,256

Net Assets - Ending \$ 11,343,027

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

McComb School District
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds			
	General	16th Section	Other	Total
	Fund	Principal Fund	Governmental Funds	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,596,716	2,476,791	1,352,790	7,426,297
Cash with fiscal agent	-	-	171,297	171,297
Investments	-	-	158,373	158,373
Due from other governments	281,308	-	673,157	954,465
Due from other funds	231,063	-	8,506	239,569
Advance to other funds	-	527,678	-	527,678
Inventories and prepaid items	44,734	-	26,244	70,978
Total Assets	\$ 4,153,821	3,004,469	2,390,367	9,548,657
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 42,272	-	18,417	60,689
Due to other funds	889,219	-	477,430	1,366,649
Advances from other funds	527,678	-	-	527,678
Deferred Revenue	-	-	309	309
Total Liabilities	1,459,169	-	496,156	1,955,325
Fund Balances:				
Reserved for:				
Inventory	-	-	26,244	26,244
Advances	-	527,678	-	527,678
Prepaid Items	44,734	-	-	44,734
Unemployment benefits	-	-	82,069	82,069
Forestry improvements	-	-	31,010	31,010
Capital Projects funds	-	-	2,188	2,188
Debt Service funds	-	-	780,246	780,246
Permanent funds	-	1,942,781	36,291	1,979,072
Unreserved:				
Undesignated, reported in:				
General fund	2,649,918	-	-	2,649,918
Special Revenue funds	-	-	936,163	936,163
Permanent funds	-	534,010	-	534,010
Total Fund Balances	2,694,652	3,004,469	1,894,211	7,593,332
Total Liabilities and Fund Balances	\$ 4,153,821	3,004,469	2,390,367	9,548,657

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

McComb 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	\$ 7,593,332
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,150,115.	11,590,931
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds as follows:	
Long-term liabilities	(7,761,175)
Accrued interest on debt	<u>(80,061)</u>
Total Net Assets - Governmental Activities	\$ <u>11,343,027</u>

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

McComb School District

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

	Major Funds			Total Governmental Funds
	General	16th Section	Other	
	Fund	Principal Fund	Governmental Funds	
Revenues:				
Local sources	\$ 6,214,571	-	615,387	6,829,958
State sources	13,838,677	-	1,385,005	15,223,682
Federal sources	109,603	-	5,200,817	5,310,420
Sixteenth section sources	-	846,077	60,209	906,286
Total Revenues	20,162,851	846,077	7,261,418	28,270,346
Expenditures:				
Instruction	11,871,068	-	3,346,320	15,217,388
Support services	7,485,447	-	1,522,548	9,007,995
Noninstructional services	249,850	-	2,168,381	2,418,231
Sixteenth section	-	-	485	485
Facilities acquisition and construction	9,980	-	489,168	499,148
Debt service:				
Principal	57,007	-	453,367	510,374
Interest	24,629	-	215,609	240,238
Total Expenditures	19,697,981	-	8,195,878	27,893,859
Excess (Deficiency) of Revenues				
Over Expenditures	464,870	846,077	(934,460)	376,487
Other Financing Sources (Uses):				
Proceeds of loans	253,411	-	-	253,411
Insurance loss recoveries	14,971	-	-	14,971
Sale of other property	1,973	-	-	1,973
Operating transfers in	2,889,298	-	917,057	3,806,355
Payments held by QZAB debt escrow agent	-	-	76,625	76,625
Operating transfers out	(3,425,076)	-	(381,279)	(3,806,355)
Payment to QZAB debt escrow agent	-	-	(76,625)	(76,625)
Other financing uses	-	-	(1,625)	(1,625)
Total Other Financing Sources (Uses)	(265,423)	-	534,153	268,730
Net Change in Fund Balances	199,447	846,077	(400,307)	645,217
Fund Balances:				
July 1, 2007, as previously reported	2,499,303	2,158,392	2,306,902	6,964,597
Prior period adjustments and reclassifications	(4,098)	-	-	(4,098)
July 1, 2007, as restated	2,495,205	2,158,392	2,306,902	6,960,499
Increase (Decrease) in reserve for inventory	-	-	(12,384)	(12,384)
June 30, 2008	\$ 2,694,652	3,004,469	1,894,211	7,593,332

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 645,217
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$562,887 and the depreciation expense amounted to \$429,475.	133,412
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activity.	(253,411)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity.	510,374
4. Expenses in the statement of activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated Absences	6,587
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the statement of activities recognizes interest as it accrues regardless of when it becomes due.	971
6. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items: Losses on the sale of capital assets	(6,995)
7. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the statement of activities.	<u>(12,384)</u>
Change in Net Assets of Governmental Activities	\$ <u>1,023,771</u>

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

McComb School District
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 206,164
Due from other funds	<u>1,127,080</u>
Total Assets	<u>\$ 1,333,244</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,322,387
Due to student clubs	<u>10,857</u>
Total Liabilities	<u>\$ 1,333,244</u>

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

McCOMB 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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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 McComb 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.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

McCOMB SCHOOL DISTRICT

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

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 recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

16th Section Principal Fund - This fund is used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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.

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

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity

McCOMB SCHOOL DISTRICT

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

(assets equal liabilities) and do not involve measurement of results of operations.

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

G. 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 are reported at fair value.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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.

McCOMB SCHOOL DISTRICT

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

McCOMB SCHOOL DISTRICT

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

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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 advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

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

Reserved for capital projects - An account that represents that portion of fund balance in the Capital projects fund which was legally restricted and not available for spending for any other purpose that 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 forestry improvement purposes - An account that represents a portion of the fund balance that is

McCOMB SCHOOL DISTRICT

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

legally restricted for improving sixteenth section forest lands.

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

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

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the state of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). This section permits the following types of investment: (a) certificates of deposits and interest bearing accounts with qualified state

McCOMB SCHOOL DISTRICT

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

depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,426,297 and \$206,164 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$4,949,506 and Restricted Assets \$2,806,461. The Restricted Assets represents the cash and cash equivalents balances of the 16th section Principal Funds (Permanent Funds), cash with fiscal agent in MAEP Retirement fund, and cash and investments in the QZAB Project fund which are legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$8,872,740.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$8,872,740 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$171,297.

Investments.

As of June 30, 2008, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
U S Govt Obligations	1 to 5	<u>158,373</u>	
Subtotal		<u>158,373</u>	
Total Investments		<u>\$ 158,373</u>	

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

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

McCOMB SCHOOL DISTRICT

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

choices or one that addresses credit risk.

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

Issuer	Fair Value	% of Total Investments
U S Govt Obligations	158,373	100%
Total Investments	<u>\$ 158,373</u>	

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Major funds:		
General fund	\$ 231,063	889,219
Other Governmental Funds	8,506	477,430
Fiduciary Funds	<u>1,127,080</u>	<u>0</u>
Total Funds	<u>\$ 1,366,649</u>	<u>1,366,649</u>

The purpose of the interfund receivables and payables are to close out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Advances To/From Other Funds:

	Advances To	Advances From
Major funds:		
General fund	\$	527,678
16 th Section Principal Fund	527,678	
Other Governmental funds	<u>0</u>	<u>0</u>
Total Funds	<u>\$ 527,678</u>	<u>527,678</u>

[Note: The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.]

McCOMB SCHOOL DISTRICT

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

Sixteenth section principal loans payable.

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 13,839	21,107	34,946
2010	48,839	20,554	69,393
2011	31,000	20,000	51,000
2012	32,000	17,360	49,360
2013	34,000	16,080	50,080
2014 – 2018	191,000	58,920	249,920
2019 – 2022	177,000	17,720	194,720
Total	\$ 527,678	171,741	699,419

C. Transfers In/Out.

	Transfer In	Transfers Out
Major funds:		
General fund	\$ 2,889,298	3,425,076
Other Governmental Funds	917,057	381,279
Total Funds	\$ 3,806,355	3,806,355

The purposes of interfund transfers are to transfer federal program indirect costs to the General Fund and to close out federal program funds at year end. These transfers are consistent with the activities of the fund making the transfer.

McCOMB SCHOOL DISTRICT

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

(4) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
Non-depreciable capital assets:						
Land	\$ 123,362	0	0	0	0	123,362
Construction in progress	1,042,002	401,203	0	(1,443,205)	0	0
Total non-depreciable capital assets	1,165,364	401,203	0	(1,443,205)	0	123,362
Depreciable capital assets:						
Buildings	13,657,639	0	0	0	0	13,657,639
Building improvements	945,065	0	0	1,313,557	0	2,258,622
Improvements other than buildings	222,554	0	0	129,648	0	352,202
Mobile equipment	1,367,542	145,700	67,000	0	0	1,446,242
Furniture and equipment	916,498	15,984	29,503	0	0	902,979
Total depreciable capital assets	17,109,298	161,684	96,503	1,443,205	0	18,617,684
Less accumulated depreciation for:						
Buildings	5,008,517	179,923	0	0	0	5,188,440
Building improvements	201,370	90,345	0	0	0	291,715
Improvements other than buildings	83,127	11,514	0	0	0	94,641
Mobile equipment	845,842	84,514	60,300	0	0	870,056
Furniture and equipment	671,292	63,179	29,208	0	0	705,263
Total accumulated depreciation	6,810,148	429,475	89,508	0	0	7,150,115
Total depreciable capital assets, net	10,299,150	(267,791)	6,995	1,443,205	0	11,467,569
Governmental activities capital assets, net	\$ 11,464,514	133,412	6,995	0	0	11,590,931

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 298,879
Support services	107,524
Non-instructional	23,072
Total depreciation expense	\$ 429,475

McCOMB SCHOOL DISTRICT

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

(5) Long-term liabilities.

The following is a summary of changes in 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. Limited obligation bonds payable	3,730,000		135,000		3,595,000	285,000
B. Three mill notes payable	1,343,850		246,382		1,097,468	257,100
C. Shortfall notes payable	152,158	253,411	71,985		333,584	158,116
D. Other loans payable	189,465		57,007		132,458	57,417
E. QZAB bonds payable	2,500,000				2,500,000	
F. Compensated absences payable	109,252		6,587		102,665	10,267
Total	<u>\$ 8,024,725</u>	<u>253,411</u>	<u>516,961</u>	<u>0</u>	<u>7,761,175</u>	<u>767,900</u>

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital Improvement, Series 2006	Varies	09-14-06	02-01-18	3,730,000	3,595,000
Total				<u>\$ 3,730,000</u>	<u>3,595,000</u>

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 285,000	138,100	423,100
2010	300,000	126,400	426,400
2011	310,000	114,200	424,200
2012	320,000	101,600	421,600
2013	335,000	88,500	423,500
2014 - 2017	2,045,000	226,600	2,271,600
Total	<u>\$ 3,595,000</u>	<u>795,400</u>	<u>4,390,400</u>

McCOMB SCHOOL DISTRICT

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

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

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
	4.35%	06-03-02	06-03-12	\$ 2,430,000	1,097,468
Total				\$ 2,430,000	1,097,468

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

Year Ending June 30	Principal	Interest	Total
2009	257,100	47,740	304,840
2010	268,284	36,556	304,840
2011	279,954	24,886	304,840
2012	292,130	12,708	304,838
Total	\$ 1,097,468	121,890	1,219,358

This debt will be retired from the EEF Buildings and Buses Fund – Special Revenue Fund and the 3 Mill Notes Fund – Debt Service Fund.

C. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
	6.21%	10-03-05	03-01-09	99,805	36,972
	6.77%	07-12-06	03-01-09	121,431	43,201
	4.4%	12-5-07	03-01-11	253,411	253,411
Total				\$ 474,647	333,584

McCOMB SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 159,198	18,340	177,538
2010	85,316	7,673	92,989
2011	89,070	3,920	92,990
Total	\$ 333,584	29,933	363,517

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

D. Other loans payable.

The school district has issued debt instruments granted under the authority of Section 57-39-39 Mississippi Code of 1972.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Mississippi Development Authority - Energy Investment Program	1.0%	08-26-03	09-01-09	\$ 244,450	82,722
	2.75%	04-08-05	05-01-11	95,245	49,736
Total				\$ 339,695	132,458

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

Year Ending June 30	Principal	Interest	Total
2009	57,417	2,199	59,616
2010	58,315	1,344	59,659
2011	16,726	472	17,198
Total	\$ 132,458	4,015	136,473

This debt will be retired from the General Fund.

McCOMB SCHOOL DISTRICT

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

E. Qualified zone academy bonds payable.

As more fully explained in Note 9, 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
QZAB bonds	4.5%	08-15-05	08-15-15	\$ 2,500,000	2,500,000
Total				\$ 2,500,000	2,500,000

This debt will be retired from the QZAB fund.

F. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$1,730,759, \$1,711,124, and \$1,586,952, respectively, which equaled the required contributions for each year.

(7) 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

McCOMB SCHOOL DISTRICT

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

rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2009	\$	7,948
2010		12,136
2011		7,636
2012		7,122
2013		5,562
2014-2018		17,326
2019-2023		15,986
2024-2028		15,380
2029-2033		14,380
2034-2038		12,552
Total	\$	<u>116,028</u>

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(9) 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

McCOMB SCHOOL DISTRICT

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

programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Southern Professional Properties, LLC has entered into such an agreement dated 2/4/05. Southern Professional Properties, LLC donated a building that is being renovated into an activity center for the district.

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 August 15, 2015. 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	\$	75,000
2010		75,000
2011		75,000
2012		75,000
2013		380,000
2014-2016		760,000
Total	\$	<u>1,440,000</u>

McCOMB SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

McComb School District
 Budgetary Comparison Schedule
 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	\$ 6,461,309	6,214,571	6,214,571	(246,738)	-
State sources	13,662,466	13,838,677	13,838,677	176,211	-
Federal sources	74,418	109,603	109,603	35,185	-
Total Revenues	<u>20,198,193</u>	<u>20,162,851</u>	<u>20,162,851</u>	<u>(35,342)</u>	<u>-</u>
Expenditures:					
Instruction	11,623,181	11,871,068	11,871,068	(247,887)	-
Support services	7,455,602	7,485,447	7,485,447	(29,845)	-
Noninstructional services	251,531	249,850	249,850	1,681	-
Facilities acquisition and construction	-	9,980	9,980	(9,980)	-
Debt service:					
Principal	79,847	57,007	57,007	22,840	-
Interest	24,629	24,629	24,629	-	-
Total Expenditures	<u>19,434,790</u>	<u>19,697,981</u>	<u>19,697,981</u>	<u>(263,191)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>763,403</u>	<u>464,870</u>	<u>464,870</u>	<u>(298,533)</u>	<u>-</u>
Other Financing Sources (Uses):					
Proceeds of loans	-	253,411	253,411	253,411	-
Insurance loss recoveries	-	14,971	14,971	14,971	-
Sale of other property	-	1,973	1,973	1,973	-
Operating transfers in	2,141,824	2,889,298	2,889,298	747,474	-
Operating transfers out	(2,905,227)	(3,425,076)	(3,425,076)	(519,849)	-
Other financing uses	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(763,403)</u>	<u>(265,423)</u>	<u>(265,423)</u>	<u>497,980</u>	<u>-</u>
Net Change in Fund Balances					
	<u>-</u>	<u>199,447</u>	<u>199,447</u>	<u>199,447</u>	<u>-</u>
Fund Balances:					
July 1, 2007, as previously reported			2,499,303		
Prior period adjustments & reclassifications			<u>(4,098)</u>		
July 1, 2007, as restated			2,495,205		
June 30, 2008			<u>2,694,652</u>		

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

McCOMB SCHOOL DISTRICT

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

Budgetary Comparison Schedules

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

The budget is adopted by the school board and 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 15th. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

McCOMB SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Child nutrition cluster:		
School breakfast program	10.553	347,043
National school lunch program	10.555	1,007,315
Total child nutrition cluster		<u>1,286,690</u>
Total U.S. Department of Agriculture		<u>1,354,358</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	61,051
Total Federal Communications Commission		<u>61,051</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Early Reading First	84.359	12,554
Impact aid	84.041	17,076
Total		<u>29,630</u>
Passed-through Mississippi Board for Community and Junior Colleges:		
Adult education - state grant program	84.002	172,280
Total		<u>172,280</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,440,353
Career and technical education-basic grants to states	84.048	58,435
Safe and drug-free schools and communities - state grants	84.186	21,980
Twenty first century community learning centers	84.287	247,653
State grants for innovative programs	84.298	5,196
Education technology state grants	84.318	13,977
Rural education	84.358	89,919
Improving teacher quality - state grants	84.367	322,190
Grants for state assessments and related activities	84.369	13,510
Total		<u>2,213,213</u>

<u>Special education cluster:</u>		
Special education - grants to states	84.027	728,948
Special education - preschool grants	84.173	27,308
Total		<u>756,256</u>
Total passed-through Mississippi Department of Education		<u>2,969,469</u>
Total U.S. Department of Education		<u>3,171,379</u>
<u>Department of Health and Human Services</u>		
Passed through Mississippi Department of Human Services		
Temporary Assistance to Needy Families	93.558	307,522
Total Department of Health and Human Services		<u>307,522</u>
<u>Corporation for National and Community Service</u>		
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	10,000
Total Corporation for National and Community Service		<u>10,000</u>
<u>Department of Homeland Security</u>		
Disaster grants-Public assistance (Presidentially Declared Disaster)	97.036	2,061
Total Department of Homeland Security		<u>2,061</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	58,552
Total Other Federal Assistance		<u>58,552</u>
Total for All Federal Awards		<u>\$ 4,964,923</u>

NOTES TO SCHEDULE

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

MCCOMB 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 Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 20,926,095	15,733,979	766,238	1,574,895	2,850,983
Other	6,967,764	2,391,499	220,769	112,001	4,243,495
Total	<u>\$ 27,893,859</u>	<u>18,125,478</u>	<u>987,007</u>	<u>1,686,896</u>	<u>7,094,478</u>
Total number of students*	<u>2,630</u>				
Cost per student	<u>\$ 10,606</u>	<u>6,892</u>	<u>375</u>	<u>641</u>	<u>2,698</u>

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

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

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

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

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

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

Note: include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

McComb School District

OTHER SUPPLEMENTAL INFORMATION

MCCOMB SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund
Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 6,214,571	6,393,247	6,096,837	5,739,379
State sources	13,838,677	12,974,894	11,924,420	11,179,409
Federal sources	109,603	234,176	144,878	196,228
Total Revenues	<u>20,162,851</u>	<u>19,602,317</u>	<u>18,166,135</u>	<u>17,115,016</u>
Expenditures:				
Instruction	11,871,068	11,455,233	9,588,825	9,844,214
Support services	7,485,447	7,644,781	7,199,043	6,218,064
Noninstructional services	249,850	263,238	199,632	110,869
Sixteenth section	0	0	0	0
Facilities acquisition and construction	9,980	140,446	278,843	193,529
Debt service:				
Principal	57,007	55,754	54,782	39,694
Interest	24,629	26,797	28,682	28,537
Total Expenditures	<u>19,697,981</u>	<u>19,586,249</u>	<u>17,349,807</u>	<u>16,434,907</u>
Excess (Deficiency) of Revenues over Expenditures	<u>464,870</u>	<u>16,068</u>	<u>816,328</u>	<u>680,109</u>
Other Financing Sources (Uses):				
Proceeds of loans	253,411	118,471	93,432	95,245
Insurance loss recoveries	14,971	76,582	328,090	23,348
Sale of transportation equipment			600	429
Sale of other property	1,973	250		
Operating transfers in	2,889,298	393,862	2,210,718	2,389,568
Operating transfers out	<u>(3,425,076)</u>	<u>(836,231)</u>	<u>(2,584,525)</u>	<u>(2,548,366)</u>
Total Other Financing Sources (Uses)	<u>(265,423)</u>	<u>(247,066)</u>	<u>48,315</u>	<u>(39,776)</u>
Net Change in Fund Balances	<u>199,447</u>	<u>(230,998)</u>	<u>864,643</u>	<u>640,333</u>
Fund Balances:				
Fund Balance, July 1	2,499,303	2,730,301	1,865,658	1,225,325
Prior period adjustments	(4,098)			
Fund Balance, July 1, as restated	<u>2,495,205</u>	<u>2,730,301</u>	<u>1,865,658</u>	<u>1,225,325</u>
Fund Balance, June 30	<u>\$ 2,694,652</u>	<u>2,499,303</u>	<u>2,730,301</u>	<u>1,865,658</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

MCCOMB 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	\$ 6,829,958	7,136,539	6,846,086	6,542,779
State sources	15,223,682	13,942,262	13,082,203	12,121,778
Federal sources	5,310,420	5,678,933	7,422,859	6,330,706
Sixteenth section sources	906,286	585,089	430,640	483,360
Total Revenues	<u>28,270,346</u>	<u>27,342,823</u>	<u>27,781,788</u>	<u>25,478,623</u>
Expenditures:				
Instruction	15,217,388	14,768,720	14,363,259	13,756,170
Support services	9,007,995	9,622,882	9,224,753	7,890,203
Noninstructional services	2,418,231	2,340,698	2,233,918	1,975,283
Sixteenth section	485	3,713	4,248	11,358
Facilities acquisition and construction	499,148	1,077,340	278,843	193,529
Debt service:				
Principal	510,374	4,377,767	634,899	633,077
Interest	240,238	279,262	296,159	323,190
Other		61,566	758	779
Total Expenditures	<u>27,893,859</u>	<u>32,531,948</u>	<u>27,036,837</u>	<u>24,783,589</u>
Excess (Deficiency) of Revenues over Expenditures	<u>376,487</u>	<u>(5,189,125)</u>	<u>744,951</u>	<u>695,034</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds		3,730,000		
Premium on debt reissuance		33,984		
Proceeds of loans	253,411	121,430	2,599,805	95,245
Insurance loss recoveries	14,971	76,582	328,090	23,348
Sale of transportation equipment			600	429
Sale of other property	1,973	250	2,710	
Operating transfers in	3,806,355	1,273,745	2,970,511	3,118,226
Other financing uses	(1,625)			
Operating transfers out	(3,806,355)	(1,273,745)	(2,970,511)	(3,118,226)
Payments held by QZAB debt escrow agent	76,625	77,861		
Payments to QZAB debt escrow agent	(76,625)	(75,000)		
Total Other Financing Sources (Uses)	<u>268,730</u>	<u>3,965,107</u>	<u>2,931,205</u>	<u>119,022</u>
Net Change in Fund Balances	<u>645,217</u>	<u>(1,224,018)</u>	<u>3,676,156</u>	<u>814,056</u>
Fund Balances:				
Fund Balance, July 1,	6,964,597	8,180,271	4,511,071	3,706,345
Prior period adjustments	(4,098)			(12,452)
Fund Balance, July 1, as restated	<u>6,960,499</u>	<u>8,180,271</u>	<u>4,511,071</u>	<u>3,693,893</u>
Increase (Decrease) in reserve for inventory	<u>(12,384)</u>	<u>8,344</u>	<u>(6,956)</u>	<u>3,122</u>
Fund Balance, June 30	<u>\$ 7,593,332</u>	<u>6,964,597</u>	<u>8,180,271</u>	<u>4,511,071</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

McComb School District

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

*Member of Mississippi Society
of Certified Public Accountants*

215 SOUTH RAILROAD AVENUE
BROOKHAVEN, MISSISSIPPI 39601

PHONE (601) 833-1456

FAX (601) 833-9896

EMAIL: plowery3@bellsouth.net

*Member of American Institute
of Certified Public Accountants*

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

Superintendent and School Board
McComb School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the McComb School District as of and for the year ended June 30, 2008 which collectively comprise the McComb School District's basic financial statements and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 McComb 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 McComb School District's financial statements that is more than inconsequential will not be prevented or detected by the McComb School District's internal control.

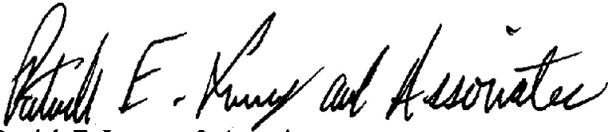
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the McComb School District's internal control.

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

Compliance and Other Matters

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

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



Patrick E. Lowery & Associates
Certified Public Accountants
November 7, 2008

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

*Member of Mississippi Society
of Certified Public Accountants*

215 SOUTH RAILROAD AVENUE
BROOKHAVEN, MISSISSIPPI 39601

PHONE (601) 833-1456

FAX (601) 833-9896

EMAIL: plowery3@bellsouth.net

*Member of American Institute
of Certified Public Accountants*

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

Superintendent and School Board
McComb School District

Compliance

We have audited the compliance of the McComb 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 McComb School District's major federal programs are identified in the summary of auditor's results section of the 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 McComb School District's management. Our responsibility is to express an opinion on the McComb School District's compliance based on our audit.

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

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

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

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



Patrick E. Lowery & Associates
Certified Public Accountants
November 7, 2008

McComb School District

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

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

*Member of Mississippi Society
of Certified Public Accountants*

215 SOUTH RAILROAD AVENUE
BROOKHAVEN, MISSISSIPPI 39601

PHONE (601) 833-1456
FAX (601) 833-9896
EMAIL: plowery3@bellsouth.net

*Member of American Institute
of Certified Public Accountants*

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

Superintendent and School Board
McComb School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the McComb School District as of and for the year ended June 30, 2008 which collectively comprise McComb School District's basic financial statements and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,616 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district." The results of our procedures performed to test compliance with the requirements of Section 37-9-18 (3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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



Patrick E. Lowery & Associates
Certified Public Accountants

November 7, 2008

McComb School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

McComb School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Title I grants to local educational agencies
CFDA # 84.010 | |
| b. | Improving teacher quality state grants
CFDA # 84.367 | |
| c. | Temporary assistance to needy families
CFDA # 93.558 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

McComb School District

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

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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