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New Albany Public School District

Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

FINANCIAL AUDIT REPORT

**New Albany Public School District
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FORTENBERRY & BALLARD, P.C.
Certified Public Accountants

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

Superintendent and School Board
New Albany Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the New Albany Public School District as of and for the year ended June 30, 2008, which collectively comprise the New Albany Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the New Albany Public School District's management. Our responsibility is to express opinions on these basic 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of the New Albany Public School District at June 30, 2008, and the respective changes in financial position, thereof for the year 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 19, 2008, on our consideration of the New Albany Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 48 through 49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and

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express no opinion on it.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 19, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,458,272, which represents 17% increase from fiscal year 2007.
- General revenues account for \$16,037,091 in revenue, or 78% of all revenues. This amount was more than the general revenues reported for the year 2007, which consisted of \$13,583,439 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,429,086 or 22% of total revenues compared with \$4,391,206 in 2007.
- The District had \$19,007,905 in expenses, an amount that increased when compared with the \$17,484,825 in expenses for the prior year; \$4,429,086 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,037,091 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,626,413 in revenues and \$14,083,448 in expenditures. In 2007 the General Fund had \$13,220,963 in revenues and \$12,784,548 in expenditures. The General Fund's fund balance increased \$59,598 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$799,133. The cause of this increase was the recording of construction in progress.
- Long-term debt increased by \$1,327,578 mainly due to the issuance of QZAB debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 16 and 17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 24, respectively.

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.

The basic governmental fund financial statements can be found on pages 18 and 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statement of Fiduciary Net Assets on page 25.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-46 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 48-49 of this report.

Additionally, a schedule of expenditures of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 51 and 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$10,238,233 as of June 30, 2008.

By far the largest portion of the District's net assets (40%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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 2007.

	2008	2007	Percentage Change
Assets			
Current assets	\$ 7,628,514	5,483,843	39%
Capital assets, net	14,679,558	13,880,425	6%
Total assets	22,308,072	19,364,268	15%
Liabilities			
Current liabilities	1,293,328	1,132,445	14%
Long-term liabilities	10,776,511	9,448,933	14%
Total liabilities	12,069,839	10,581,378	14%
Net Assets:			
Invested in capital assets, net of related debt	4,089,558	4,590,425	-11%
Restricted	4,962,927	3,007,883	65%
Unrestricted	1,185,748	1,184,582	0%
Total Net Assets	\$ 10,238,233	8,782,890	17%

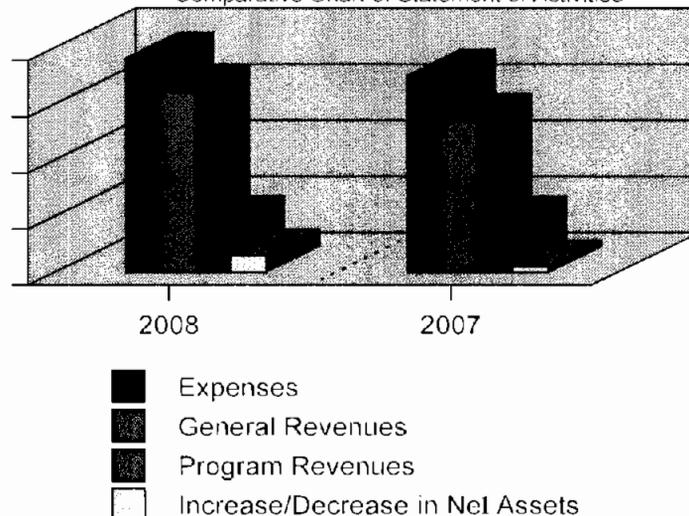
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$423,558 of long-term debt.
- The recording of construction in progress.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$20,466,177. The total cost of all programs and services was \$19,007,905. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

	2008	2007	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 1,293,584	1,381,209	-6%
Operating Grants and Contributions	2,924,671	2,906,840	1%
Capital Grants and Contributions	210,831	103,157	104%
Total Program Revenues	4,429,086	4,391,206	1%
General Revenues			
Property Taxes	4,253,126	3,427,478	24%
Unrestricted Grants and Contributions	11,350,111	9,828,251	15%
Unrestricted Investment Earnings	288,756	258,839	12%
Other	145,098	68,871	111%
Total General Revenues	16,037,091	13,583,439	18%
Total revenues	20,466,177	17,974,645	14%
Expenses			
Instruction	10,595,159	10,578,182	0%
Support services	5,782,736	5,210,787	11%
Non-instructional	2,219,298	1,301,068	71%
Interest on long-term liabilities	410,712	394,788	4%
Total expenses	19,007,905	17,484,825	9%
Increase (Decrease) in net assets	1,458,272	489,820	198%
Net Assets, July 1	8,782,890	8,371,265	5%
Prior Period Adjustment	(2,929)	(78,195)	-96%
Net Assets, Restated	8,779,961	8,293,070	6%
Net Assets, June 30	\$ 10,238,233	8,782,890	17%

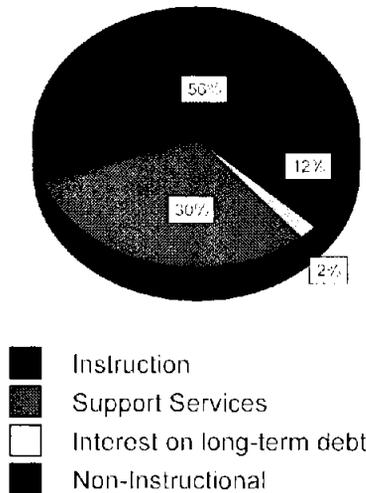
Comparative Chart of Statement of Activities



Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid 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	2008	2007
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 10,595,159	10,578,182	(7,828,914)	(8,284,304)
Support Services	5,782,736	5,210,787	(5,326,329)	(4,478,756)
Non-Instructional	2,219,298	1,301,068	(1,012,864)	64,229
Interest on Long-Term Liabilities	410,712	394,788	(410,712)	(394,788)
	<u>\$ 19,007,905</u>	<u>17,484,825</u>	<u>(14,578,819)</u>	<u>(13,093,619)</u>

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$14,578,819), was financed by general revenue, which is made up of primarily property taxes \$4,253,126, investment earnings \$288,756, and state revenues \$11,207,401.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,364,115, an increase of \$1,985,232.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$59,598. The fund balance of Other Governmental Funds showed a decrease of \$5,571. The fund balance of the Reserved for Capital Expenditures fund increased \$491,441. The QZAB Bond Fund's fund balance showed an increase of \$1,296,617 while the increase in the Trustmark Trust Acct. QZAB fund was \$143,147.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred.

Budget amounts for expenditures were increased to reflect actual amounts expended.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount. Over the course of the year, the District revised the annual operating budget.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$20,710,650, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$1,150,521 from the previous year. One major component of this increase was the recording of construction in progress. Total accumulated depreciation as of June 30, 2008 was \$6,031,092 and total depreciation expense for

the year was \$504,745, resulting in total net capital assets of \$14,679,558.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	\$ 975,887	975,887	0%
Construction in progress	869,828	-	100%
Buildings	11,389,062	11,683,115	-3%
Building Improvements	94,152	98,858	-5%
Improvements other than buildings	361,728	380,767	-5%
Mobile equipment	698,638	553,774	26%
Furniture and equipment	290,263	188,024	54%
	\$ 14,679,558	13,880,425	6%

Additional information of the District's capital assets can be found in Note 4 on page 38 of this report.

Debt Administration. At June 30, 2008, the District had \$7,470,000 general obligation bonds outstanding and \$3,306,511 in other long-term debt outstanding, of which \$450,000 is due within one year. The District maintains an AA bond rating.

			Percentage
	2008	2007	Change
General obligation bonds payable	\$ 7,470,000	7,890,000	-5%
Qualified zone academy bonds payable	3,120,000	1,400,000	123%
Other loans payable	-	3,558	-100%
Compensated absences	186,511	155,375	20%
	\$ 10,776,511	9,448,933	14%

Additional information of the District's long-term debt can be found in Note 5 on page 39 of this report.

CURRENT ISSUES

The New Albany Public School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District 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 New Albany Public School District, 301 Highway 15, North, New Albany, MS 38652.

FINANCIAL STATEMENTS

NEW ALBANY PUBLIC SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Assets:	
Cash and cash equivalents	\$ 5,509,697
Investments	1,237,524
Due from other governments	620,338
Accrued interest receivable	92
Other receivables, net	227,723
Inventories	33,140
Capital assets, non-depreciable:	
Land	975,887
Construction in progress	869,828
Capital assets, net of accumulated depreciation:	
Buildings	11,389,062
Building improvements	94,152
Improvements other than buildings	361,728
Mobile equipment	698,638
Furniture and equipment	290,263
Total Assets	<u>22,308,072</u>
Liabilities:	
Accounts payable and accrued liabilities	1,251,288
Unearned revenue	13,111
Interest payable on long-term liabilities	28,929
Long-term liabilities (due within one year)	
Capital related liabilities	450,000
Long-term liabilities (due beyond one year)	
Capital related liabilities	10,140,000
Non-capital related liabilities	186,511
Total Liabilities	<u>12,069,839</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,089,558
Restricted Net Assets:	
Expendable:	
School Based Activities	373,830
Debt Service	1,277,277
Capital Improvements	3,136,507
Unemployment Benefits	144,459
Unrestricted	1,216,602
Total Net Assets	<u>10,285,233</u>

The accompanying notes are an integral part of this statement.

NEW ALBANY PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
<i>Instruction</i>	10,595,159	940,442	1,764,566	66,890	(7,823,261)
<i>Support services</i>	5,782,736	--	460,647	--	(5,322,089)
<i>Noninstructional services</i>	2,239,487	358,795	703,698	154,237	(1,022,757)
<i>Interest on long-term liabilities</i>	410,712	--	--	--	(410,712)
Total Governmental Activities	\$ 19,028,094	\$ 1,299,237	\$ 2,928,911	\$ 221,127	(14,578,819)
General Revenues:					
Taxes:					
					3,319,267
<i>General purpose levies</i>					933,859
<i>Debt purpose levies</i>					
Unrestricted grants and contributions:					
<i>State</i>					11,207,401
<i>Federal</i>					142,710
<i>Unrestricted investment earnings</i>					288,756
<i>Other</i>					145,098
Total general revenues					16,037,091
Change in Net Assets					1,458,272
Net Assets- Beginning					8,782,890
Prior Period Adjustment					(2,929)
Net Assets - Restated					8,779,961
Net Assets - Ending					\$ 10,238,233

The accompanying notes are an integral part of this statement.

NEW ALBANY PUBLIC SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Reserved for Capital Expenditures
ASSETS		
Assets:		
<i>Cash and cash equivalents</i>	\$ 3,100,734	\$ --
<i>Investments</i>	--	--
<i>Due from other governments</i>	281,261	--
<i>Accrued interest receivable</i>	--	--
<i>Other receivables, net</i>	127,230	--
<i>Due from other funds</i>	--	1,524,540
<i>Advances to other funds</i>	--	--
<i>Inventories</i>	--	--
Total Assets	\$ 3,509,225	\$ 1,524,540
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 908,988	\$ 115,054
<i>Due to other funds</i>	1,197,124	--
<i>Advances from other funds</i>	--	--
<i>Unearned revenue</i>	--	--
Total Liabilities	2,106,112	115,054
Fund balances:		
Reserved for:		
<i>Inventory</i>	--	--
<i>Advances</i>	--	--
<i>Unemployment benefits</i>	--	--
<i>Capital projects fund</i>	--	1,409,486
<i>Debt service fund</i>	--	--
Unreserved, undesignated, reported in:		
<i>General fund</i>	1,403,113	--
<i>Special revenue fund</i>	--	--
Total Fund Balances	1,403,113	1,409,486
Total Liabilities and Fund Balances	\$ 3,509,225	\$ 1,524,540

The accompanying notes are an integral part of this statement.

EXHIBIT C

QZAB Bond Fund	Trustmark Trust Acct. QZAB	Other Governmental Funds	Total Governmental Funds
\$ 1,368,241	\$ --	\$ 1,040,722	\$ 5,509,697
--	1,101,400	136,124	1,237,524
--	--	308,657	589,918
--	--	92	92
--	--	100,493	227,723
--	--	--	1,524,540
--	--	235,401	235,401
--	--	33,140	33,140
<u>\$ 1,368,241</u>	<u>\$ 1,101,400</u>	<u>\$ 1,654,829</u>	<u>\$ 9,358,035</u>
\$ 71,624	\$ --	\$ 155,622	\$ 1,251,288
--	--	296,996	1,494,120
--	--	235,401	235,401
--	--	13,111	13,111
<u>71,624</u>	<u>--</u>	<u>701,130</u>	<u>2,993,920</u>
--	--	33,140	33,140
--	--	235,401	235,401
--	--	144,459	144,459
1,296,617	--	195,003	2,901,106
--	1,101,400	204,806	1,306,206
--	--	--	1,403,113
--	--	340,690	340,690
<u>1,296,617</u>	<u>1,101,400</u>	<u>1,153,499</u>	<u>6,364,115</u>
<u>\$ 1,368,241</u>	<u>\$ 1,101,400</u>	<u>\$ 1,654,829</u>	<u>\$ 9,358,035</u>

NEW ALBANY PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances - governmental funds balance sheet	\$ 6,364,115
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	14,679,558
Liabilities due in one year are not recognized in the funds.	(450,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(10,140,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(28,929)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(186,511)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 10,238,233</u>

The accompanying notes are an integral part of this statement.

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NEW ALBANY PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Reserved for Capital Expenditures
Revenue:		
<i>Local sources</i>	\$ 4,492,105	\$ --
<i>Intermediate sources</i>	5,487	--
<i>State sources</i>	10,938,834	--
<i>Federal sources</i>	189,987	--
Total revenues	<u>15,626,413</u>	<u>--</u>
Expenditures:		
<i>Instruction</i>	9,091,351	--
<i>Support services</i>	4,986,083	--
<i>Noninstructional services</i>	2,456	--
<i>Facilities acquisition and construction</i>	--	582,577
Debt service:		
<i>Principal</i>	3,558	--
<i>Interest</i>	--	--
<i>Other</i>	--	--
Total expenditures	<u>14,083,448</u>	<u>582,577</u>
Excess (deficiency) of revenues (under) expenditures	1,542,965	(582,577)
Other financing sources (uses):		
<i>Proceeds of loans</i>	--	--
<i>Insurance loss recoveries</i>	3,244	--
<i>Transfers In</i>	--	1,074,018
<i>Transfers Out</i>	(1,486,611)	--
Total other financing sources (uses)	<u>(1,483,367)</u>	<u>1,074,018</u>
Net Change in Fund Balance	59,598	491,441
Fund Balances:		
July 1, 2007	1,343,515	918,045
Increase (decrease) in reserve for inventory	--	--
June 30, 2008	<u>\$ 1,403,113</u>	<u>\$ 1,409,486</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

QZAB Bond Fund	Trustmark Trust Acct. QZAB	Other Governmental Funds	Total Governmental Funds
\$ 2,704	\$ 63,147	\$ 1,465,151	\$ 6,023,107
--	--	128	5,615
--	--	1,153,374	12,092,208
--	--	2,172,205	2,362,192
<u>2,704</u>	<u>63,147</u>	<u>4,790,858</u>	<u>20,483,122</u>
112,598	--	2,110,637	11,314,586
12,126	--	893,898	5,892,107
--	--	1,329,914	1,332,370
263,299	--	--	845,876
--	--	420,000	423,558
--	--	370,252	370,252
38,064	--	4,321	42,385
<u>426,087</u>	<u>--</u>	<u>5,129,022</u>	<u>20,221,134</u>
(423,383)	63,147	(338,164)	261,988
1,720,000	--	--	1,720,000
--	--	--	3,244
--	80,000	417,694	1,571,712
--	--	(85,101)	(1,571,712)
<u>1,720,000</u>	<u>80,000</u>	<u>332,593</u>	<u>1,723,244</u>
1,296,617	143,147	(5,571)	1,985,232
--	958,253	1,162,439	4,382,252
--	--	(3,369)	(3,369)
<u>\$ 1,296,617</u>	<u>\$ 1,101,400</u>	<u>\$ 1,152,489</u>	<u>\$ 6,264,115</u>

NEW ALBANY PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$ 1,985,232
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,322,496
The depreciation of capital assets used in governmental activities is not reported in the funds.	(504,745)
The gain or loss on the sale of capital assets is not reported in the funds.	(15,689)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	420,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	3,558
(Increase) decrease in accrued interest from beginning of period to end of period	1,925
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	(3,369)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(31,136)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(1,720,000)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 1,458,272</u>

The accompanying notes are an integral part of this statement.

NEW ALBANY PUBLIC SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2008

	Agency Funds	Private-purpose Trust Funds
	<u> </u>	<u> </u>
ASSETS		
<i>Cash and other deposits</i>	\$ 83,796	\$ 1,155
<i>Investments</i>	--	112,243
<i>Accrued interest receivable</i>	--	421
Total Assets	<u>83,796</u>	<u>113,819</u>
LIABILITIES		
<i>Claims payable</i>	\$ 1,281	
<i>Accounts payable and accrued liabilities</i>	640	
<i>Salary benefits payable</i>	32,996	
<i>Due to student clubs</i>	18,459	
<i>Due to other funds</i>	30,420	
Total Liabilities	<u>83,796</u>	
NET ASSETS		
<i>Reserved for endowments</i>		\$ 113,819
Total Net Assets		<u>113,819</u>

The accompanying notes are an integral part of this statement.

NEW ALBANY PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 5,081
Contributions and donations from private sources	3,093
Total Additions	<u>8,174</u>
Deductions:	
Scholarship Awards	5,000
Total Deductions	<u>5,000</u>
Change In Net Assets	3,174
Net Assets-Beginning of the Year	110,645
Net Assets-End of the Year	<u>\$ <u>113,819</u></u>

The accompanying notes are an integral part of this statement.

New Albany Public School District

Notes to the Financial Statements
June 30, 2008

New Albany Public School District

Notes to the 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 New Albany 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

New Albany Public School District

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

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.

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.

Reserve for Capital Expenditures Fund - This fund accounts for financial resources designated by the school district for future capital improvements.

New Albany Public School District

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

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

Trustmark Trust Acct. QZAB Fund - This fund is used to account for the QZAB debt.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of **Exhibit C**.

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.

FIDUCIARY FUNDS

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

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

D. Account Classifications.

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

E. Encumbrances.

New Albany Public School District

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

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 a 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.

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.

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

New Albany Public School District

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

to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds.

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

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

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

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect or 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.

New Albany Public School District

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

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

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

Reserved for capital projects - An account that represents that portion of fund

New Albany Public School District

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

balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

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 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:

New Albany Public School District

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits reported in the governmental funds and fiduciary funds was \$5,509,697 and \$84,951, respectively. The carrying amount of deposits reported in government-wide statements was: cash and cash equivalents \$5,509,697. The bank balance was \$6,279,401.

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 \$6,279,401 was exposed to

New Albany Public School District

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

custodial credit risk.

Investments.

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

Investment Type	Maturities (in years)	Fair Value
FNMA Money Market Funds	N/A	\$ 1,101,400
Certificates of Deposit	12/26/08	136,124
Total		1,237,524

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 investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investment's \$1,237,524 of underlying securities are held by the investment's counterparty, not in the name of the school district.

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

Issuer	Fair Value	% of Total Investments
Money Market Funds	1,101,400	89%
Certificates of Deposit	136,124	11%

New Albany Public School District

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

	\$ 1,237,524	100%
--	--------------	------

(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
Governmental Funds:		
General Fund	\$	1,197,124
Reserved for Capital Expenditures Fund	1,524,540	
Other Governmental Funds		296,996
Fiduciary Funds	0	30,420
Total	\$ 1,524,540	1,524,540

The purpose of the interfund transactions is to eliminate cash deficits in federal special revenue funds.

B. Advances To/From Other Funds.

	Advances To	Advances From
Governmental Funds:		
Other governmental fund(s)	\$ 235,401	235,401
Total	\$ 235,401	235,401

The advances are to repay bond payments initially made by district maintenance fund prior to receipt of local taxes.

C. Transfers In/Out:

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$	1,486,611
Reserved for Capital Expenditures Fund	1,074,018	
Trustmark Trust Acct. QZAB	80,000	
Other Governmental funds	417,694	85,101
Total Funds	\$ 1,571,712	1,571,712

New Albany Public School District

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

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

	Balance 7-1-2007	Addition	Retirement	Completed Construction	Adjustments	Balance 6-30-2008
Non-depreciable capital assets:						
Land	\$ 975,887					975,887
Construction in progress		869,828				869,828
Total non-depreciable capital assets	975,887	869,828	0	0	0	1,845,715
Depreciable capital assets:						
Buildings	15,781,092					15,781,092
Building improvements	117,690					117,690
Improvements other than buildings	475,957					475,957
Mobile equipment	1,567,722	267,542	146,467		(1)	1,688,796
Furniture and equipment	641,781	185,126	24,628		(879)	801,400
Total depreciable capital assets	18,584,242	452,668	171,095	0	(880)	18,864,935
Less accumulated depreciation for:						
Buildings	4,097,977	291,875			2,178	4,392,030
Building improvements	18,832	4,708			(2)	23,538
Improvements other than buildings	95,190	19,038			1	114,229
Mobile equipment	1,013,948	108,031	131,820		(1)	990,158
Furniture and equipment	453,757	81,093	23,586		(127)	511,137
Total accumulated depreciation	5,679,704	504,745	155,406		2,049	6,031,092
Total depreciable capital assets, net	12,904,538	(52,077)	15,689	0	(2,929)	12,833,843
Governmental activities capital assets, net	13,880,425	817,751	15,689	0	(2,929)	14,679,558

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$303,349
Support services	143,524
Non-Instructional	<u>57,872</u>
Total depreciation expense	\$504,745

Adjustments include immaterial accumulated depreciation adjustments and rounding differences.

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

Remaining	Required Future
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New Albany Public School District

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

	<u>Commitment</u>	<u>Financing</u>
Multipurpose facility - Elementary school	\$ 306,951	
Classroom renovations - Elementary school	293,989	
Band Hall Renovation - Middle school	427,910	
PE Addition - Middle school	284,419	
High School - HVAC	51,317	
Memorial Gym HVAC	11,417	
Center of Career and Techonology - High School	<u>361,947</u>	
Total	\$ <u>1,737,950</u>	<u>0</u>

(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. General obligations bonds payable	\$ 7,890,000		420,000		7,470,000	450,000
B. QZAB payable	1,400,000	1,720,000			3,120,000	
C. Other loans payable	3,558		3,558		0	
D. Compensated absences payable	<u>155,375</u>	<u>31,136</u>			<u>186,511</u>	
	\$ <u>9,448,933</u>	<u>1,751,136</u>	<u>423,558</u>	<u>0</u>	<u>10,776,511</u>	<u>450,000</u>

A. General obligations bonds payable.

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

<u>Description</u>	<u>Interest</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bond, Series 2001	4.3-6.0%	06-01-01	06-01-20	\$ <u>9,850,000</u>	<u>7,470,000</u>
Total				\$ <u>9,850,000</u>	<u>7,470,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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New Albany Public School District

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

2009	\$	450,000	347,151	797,151
2010		475,000	320,151	795,151
2011		500,000	295,214	795,214
2012		525,000	273,714	798,714
2013		560,000	250,614	810,614
2014-2018		3,350,000	836,714	4,186,714
2019-2020		<u>1,610,000</u>	<u>109,576</u>	<u>1,719,576</u>
Total	\$	<u>7,470,000</u>	<u>2,433,134</u>	<u>9,903,134</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 10% of property assessments as of October 2007. This debt will be retired from the Bond Retirement Fund. This debt will be retired from the 2001 Bond Repayment Fund.

B. Qualified zone academy bonds payable.

As more fully explained in Note 8, 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
Limited - tax school note, Series 2000	0%	07-20-2000	07-20-2010	\$ 1,400,000	1,400,000
Limited - tax school note, Series 2008	0%	06-17-08	07-15-2020	<u>1,720,000</u>	<u>1,720,000</u>
Total				<u>\$ 3,120,000</u>	<u>3,120,000</u>

The amount of escrow money has been transferred from the Three Mill Note Fund to the Trustmark Trust Account - QZAB (Debt Service Fund). This debt will be retired from the Trustmark Trust Account - QZAB Fund.

C. Other loans payable.

The school district has issued debt instruments granted under the authority of Asbestos School Hazard Abatement Act of 1984.

This debt was paid out during the fiscal year and retired from the District Maintenance Fund.

New Albany Public School District

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

D. 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 rate for fiscal year ended June 30, 2008 was 11.85% of the 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 \$1,189,949, \$1,071,384, and \$975,736, respectively, which equaled the required contributions for each year.

(7) 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 Workman's 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'

New Albany Public School District

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

compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson, Mississippi. 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 up 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.

(8) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with the Dean Provence Endowment for Excellence in Education, Hill Rehabilitation Services (replaced by Crossroads Rehabilitation Services in 2004), Creekmore Clinic, PLLC, HMC Technologies and Denotee Martin Contractors, Inc., have entered into such an arrangement dated July 20, 2000. The partners from the business community have agreed to provide funds or services as follows:

The Dean Provence Endowment for Excellence in Education will make annual cash contributions of \$5,000 per year in 2000 through 2009, for a total of \$50,000.

Crossroads Rehabilitation Services and Creekmore Clinic, PLLC will provide in-kind services consisting of physical therapy and physical check-ups for students. Collectively, the in-kind services will amount to \$20,000 per year in 2001 through 2010, for a total of \$200,000.

HMC Technologies provided in-kind services consisting of software training and support with a value of \$12,000 in 2001.

Denotee Martin Contractors, Inc. provided in-kind consulting services valued at \$13,000 for evaluation of repairs and renovations needed to W.P. Daniel High School in 2001.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1, 2001, through July 1, 2010 on Series 2001. In addition to this debt, the school district issued Series 2008. This agreement requires the school district to deposit funds annually into a sinking fund account on or before June 17, 2008, through July 15, 2020. The amount accumulated in the sinking fund at the end of the 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	Amount
<u>June 30</u>	<u> </u>

New Albany Public School District

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

2009	\$	140,000
2010		140,000
2011		140,000
2012		140,000
2013		140,000
2014-2018		700,000
2019		114,000
Total	\$	<u>1,514,000</u>

(9) Other commitments.

Commitments under construction contracts are described in Note 4.

(10) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated March 20, 1996, creating the New Albany, South Tippah and Union County (NASTUC) Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the New Albany Public School District, the South Tippah School District and Union County School District.

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

The New Albany Public School District has been designated as the lead school district for NASTUC, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the New Albany - Union County Vocational Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2008

Revenues

Local sources

Tuition from other local educational agencies' within the State:

South Tippah School District	\$	125,000
Union County School District		125,000
		<u>250,000</u>

New Albany Public School District

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

Total Local sources	<u>250,000</u>
State sources	117,931
Total revenues	<u>367,931</u>
Expenditures	
Salaries	267,862
Employee benefits	76,195
Purchased professional and technical services	18,657
Purchased property services	26,629
Other purchased services	331
Supplies	11,470
Property	5,641
Other	125
Total Expenditures	<u>406,910</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(38,979)</u>
Other Financing Sources/Uses:	
Transfers In	<u>10,025</u>
Total Other Financing Sources/Uses	<u>10,025</u>
Net Change in Fund Balance	<u>(28,954)</u>
Fund Balance:	
July 1, 2007	29,879
June 30, 2008	\$ <u>925</u>

(11) Vocational School Center.

The school district entered into a Vocational Educational Agreement dated April 4, 1969, creating the New Albany-Union County Vocational Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the New Albany Public School District and the Union County School District.

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

The New Albany Public School District has been designated as the fiscal agent for the New Albany-Union County Vocational Center, and the operations of the center are included in its financial statements.

New Albany Public School District

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

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the New Albany-Union County Vocational Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2008

Revenues		
Local sources		
	Tuition from other local educational agencies' within the State:	
	Union County School District	\$ 131,725
	Total Local sources	<u>131,725</u>
	State sources	957,743
	Federal sources	47,604
	Total revenues	<u>1,137,072</u>
Expenditures		
	Salaries	878,808
	Employee benefits	250,777
	Purchased professional and technical services	7,587
	Purchased property services	66,850
	Other purchased services	6,895
	Supplies	65,262
	Property	235,972
	Total Expenditures	<u>1,512,151</u>
	Excess (Deficiency) of Revenues Over Expenditures	<u>(375,079)</u>
Other Financing Sources/Uses:		
	Transfers In	375,079
	Total Other Financing Sources/Uses	<u>375,079</u>
	Net Change in Fund Balance	<u>0</u>
Fund Balance:		
	July 1, 2007	0
	June 30, 2008	\$ <u>0</u>

(12) North Mississippi Consortium for Community Learning Centers.

The school district is the fiscal agent for the North Mississippi Consortium, which received a Twenty-first Century Community Learning Center federal award. The consortium includes New Albany Public, Benton County, Holly Springs and Union County School Districts. The grant provides for after-school and summer programs for students.

The operations of the consortium are included in the financial statements of the New Albany Public School District. The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the North Mississippi Consortium.

New Albany Public School District

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

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2008

Revenues		
Federal sources	\$	283,090
Total revenues		<u>283,090</u>
Expenditures		
Salaries		80,182
Employee benefits		16,172
Purchased professional and technical services		24,211
Other purchased services		104
Supplies		18,758
Property		143,663
Total Expenditures		<u>283,090</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>0</u>
Fund Balance:		
July 1, 2007		0
June 30, 2008	\$	<u>0</u>

(13) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>		<u>Amount</u>
1 Adjustments include immaterial accumulated depreciation adjustments and rounding differences.	\$	(2,929)
Total	\$	<u>(2,929)</u>

REQUIRED SUPPLEMENTARY INFORMATION

NEW ALBANY PUBLIC SCHOOL DISTRICT

Exhibit I

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	\$ 3,952,604	4,492,104	4,492,105	539,500	1
Intermediate Sources	-	5,488	5,487	5,488	(1)
State sources	10,861,346	10,938,834	10,938,834	77,488	
Federal sources	131,006	189,986	189,987	58,980	1
Total Revenues	14,944,956	15,626,412	15,626,413	681,456	1
Expenditures:					
Instruction	8,953,452	9,091,349	9,091,351	(137,897)	(2)
Support services	5,164,739	4,986,085	4,986,083	178,654	2
Noninstructional services	4,400	2,455	2,456	1,945	(1)
Facilities acquisition and construction	470,000	-	-	470,000	-
Debt Service					
Principal	3,558	3,558	3,558	-	-
Interest					
Total Expenditures	14,596,149	14,083,447	14,083,448	512,702	(1)
Excess (Deficiency) of Revenues Over Expenditures	348,807	1,542,965	1,542,965	1,194,158	-
Other Financing Sources (Uses):					
Transfers In	410,801	422,731		11,930	(422,731)
Insurance loss recoveries		3,244	3,244	3,244	-
Proceeds from long-term debt				-	-
Sale of other property				-	-
Transfers Out	(782,174)	(1,909,343)	(1,486,611)	1,127,169	422,732
Total Other Financing Sources (Uses)	(371,373)	(1,483,368)	(1,483,367)	(1,111,995)	1
Net Change in Fund Balances	(22,566)	59,597	59,598	82,163	(1)
Fund Balances:					
July 1, 2007	1,349,656	1,343,515	1,343,515	(6,141)	-
June 30, 2008	\$ 1,327,090	1,403,112	1,403,113	76,022	1

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

New Albany Public School District

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

Budgetary Comparison Schedule

(1) **Basis of Presentation.**

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

(2) **Budget amendments and revisions.**

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

SUPPLEMENTAL INFORMATION

New Albany Public School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Schedule 1

FEDERAL GRANT OR PASS-THROUGH GRANT OR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	220,842
National School Lunch Program	10.555	522,556
Total Child Nutrition cluster		<u>743,398</u>
Team Nutrition Grants	10.574	193
Total passed-through the MDE		<u>743,591</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u><u>743,591</u></u>
U.S. DEPARTMENT OF DEFENSE		
Direct Program		
Reserve Officers' Training Corps	12.xxx	47,277
Total U.S. Department of Defense		<u>47,277</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	43,782
Total Federal Communication Commission		<u>43,782</u>
U. S. DEPARTMENT OF EDUCATION		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	403,546
Career and Technical Education - Basic Grants to State	84.048	47,604
Safe and Drug-Free Schools and Communities - State Grants	84.186	8,076
Twenty-first Century Community Learning Centers	84.287	283,090
State Grants for Innovative Programs	84.298	2,641
Education Technology State Grants	84.318	8,165
Rural Education	84.358	79,299
English Language Acquisition Grants	84.365	909
Improving Teacher Quality State Grants	84.367	138,207
Special Education Cluster:		
Special Education - Grants to States	84.027	415,677
Special Education - Preschool Grants	84.173	20,991
Total Special Education Cluster		<u>436,668</u>
Total passed-through the MDE		<u>1,408,205</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u><u>1,408,205</u></u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$2,242,855</u></u>

Notes to Schedule

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

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

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 14,010,924	10,828,272	557,964	1,008,028	1,616,660
Other	6,210,210	1,963,791	171,771	32,991	4,041,657
Total	\$ 20,221,134	12,792,063	729,735	1,041,019	5,658,317

Total number of students * 2,120

Cost per student \$ 9,538 6,034 344 491 2,669

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); Support Services - Business (2500s)

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

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

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

OTHER SUPPLEMENTAL INFORMATION

NEW ALBANY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 4,492,105	3,643,272	3,489,262	3,344,977
Intermediate sources	5,487			
State sources	10,938,834	9,369,359	8,528,767	7,646,523
Federal sources	189,987	208,332	126,785	143,844
Total Revenues	15,626,413	13,220,963	12,144,814	11,135,344
Expenditures:				
Instruction	9,091,351	8,394,153	7,653,159	7,157,952
Support services	4,986,083	4,381,642	3,993,879	3,696,952
Noninstructional services	2,456	1,653	522	648
Facilities acquisition and construction				20,650
Debt service:				
Principal	3,558	7,100	7,100	7,100
Total Expenditures	14,083,448	12,784,548	11,654,660	10,883,302
Excess (Deficiency) of Revenues over Expenditures	1,542,965	436,415	490,154	252,042
Other Financing Sources (Uses):				
Insurance loss recoveries	3,244	3,344	13,328	
Operating transfers in		100,000	8,016	7,965
Other financing sources				93,364
Operating transfers out	(1,486,611)	(605,649)	(639,865)	(417,792)
Total Other Financing Sources (Uses)	(1,483,367)	(502,305)	(618,521)	(316,463)
Net Change in Fund Balances	59,598	(65,890)	(128,367)	(64,421)
Fund Balances:				
July 1,	1,343,515	1,422,258	1,550,625	1,615,046
Prior period adjustments		(12,853)		
July 1, as restated	1,343,515	1,409,405	1,550,625	1,615,046
June 30,	\$ 1,403,113	1,343,515	1,422,258	1,550,625

*SOURCE - PRIOR YEAR AUDIT REPORTS

NEW ALBANY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 6,023,107	5,133,052	4,911,514	4,751,825
Intermediate sources	5,615			
State sources	12,092,208	10,270,414	9,440,035	8,594,669
Federal sources	2,362,192	2,566,325	2,533,242	2,499,862
Total Revenues	<u>20,483,122</u>	<u>17,969,791</u>	<u>16,884,791</u>	<u>15,846,356</u>
Expenditures:				
Instruction	11,314,586	10,321,558	9,565,859	8,966,930
Support services	5,892,107	5,246,928	4,803,160	4,549,037
Noninstructional services	1,332,370	1,309,624	1,200,531	1,194,914
Facilities acquisition and construction	845,876	65,398	65,342	20,650
Debt service:				
Principal	423,558	435,758	409,593	388,494
Interest	370,252	393,189	414,641	434,991
Other	42,385	4,449	4,569	4,690
Total Expenditures	<u>20,221,134</u>	<u>17,776,904</u>	<u>16,463,695</u>	<u>15,559,706</u>
Excess (Deficiency) of Revenues over Expenditures	<u>261,988</u>	<u>192,887</u>	<u>421,096</u>	<u>286,650</u>
Other Financing Sources (Uses)				
Proceeds of loans	1,720,000			
Insurance loss recoveries	3,244	3,344	13,328	
Operating transfers in	1,571,712	705,649	809,880	425,757
Other financing sources		1,510		93,364
Operating transfers out	(1,571,712)	(705,649)	(809,880)	(425,757)
Transfers in for QZAB escrow agent		122,000		
Transfers out for QZAB escrow agent		(122,000)		
Total Other Financing Sources (Uses)	<u>1,723,244</u>	<u>4,854</u>	<u>13,328</u>	<u>93,364</u>
Net Change in Fund Balances	<u>1,985,232</u>	<u>197,741</u>	<u>434,424</u>	<u>380,014</u>
Fund Balances:				
July 1,	4,382,252	4,190,342	3,748,340	3,366,675
Prior period adjustments		(12,853)		
July 1, as restated	<u>4,382,252</u>	<u>4,177,489</u>	<u>3,748,340</u>	<u>3,366,675</u>
Increase (Decrease) in reserve for inventory	(3,369)	7,022	7,578	1,651
June 30,	<u>\$ 6,364,115</u>	<u>4,382,252</u>	<u>4,190,342</u>	<u>3,748,340</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

FORTENBERRY & BALLARD, PC
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
New Albany Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the New Albany Public School District as of and for the year ended June 30, 2008, which collectively comprise the New Albany Public School District's basic financial statements and have issued our report thereon dated November 19, 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 school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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 material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the New Albany Public School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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 school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 did not disclose any instances of noncompliance 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 19, 2008

Certified Public Accountants

FORTENBERRY & BALLARD, PC
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
New Albany Public School District

Compliance

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

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

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 19, 2008

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
New Albany Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the New Albany Public School District as of and for the year ended June 30, 2008, which collectively comprise New Albany Public School District's basic financial statements and have issued our report thereon dated November 19, 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)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(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 state laws and regulations. However, providing an opinion on compliance with 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 \$14,952 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 19, 2008

Certified Public Accountants

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

New Albany Public School District

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

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency identified that is 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 findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
 - b. Title I Grants to Local Educational Agencies.
CFDA# 84.010
 - c. Special Education Cluster:
CFDA# 84.027
CFDA# 84.173
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.

10. Prior fiscal year audit findings 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.

Section 2: Findings Relating to the Financial Statements

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: Findings and Questioned Costs for Federal Awards

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

AUDITEE'S SUMMARY OF PRIOR AUDIT FINDINGS

New Albany Public School District
301 Hwy. 15, North
New Albany, MS 38652
Dr. Charles Garrett - Superintendent
Suzanne Hill - Business Manager

AUDITEE'S SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the New Albany Public School District has prepared and hereby submits the following summary of prior year audit findings:

<u>Finding</u>	<u>Status</u>
2007-1	Corrected
2007-2	Corrected

