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MARION COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2008

Presented by:  
Dribben & Associates, Ltd.  
Albert F. Dribben, CPA  
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MARION COUNTY SCHOOL DISTRICT

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MARION COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

June 8, 2009

Superintendent and School Board  
Marion County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2009, on our consideration of the Marion County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 11 through 19 and the Budgetary Comparison Schedule and corresponding notes on pages 53 through 55 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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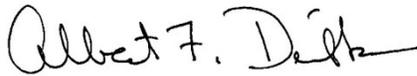
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented 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 it.

Sincerely,

A handwritten signature in black ink that reads "Albert F. Dribben". The signature is written in a cursive style with a long horizontal flourish at the end.

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

MARION COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARION COUNTY SCHOOL DISTRICT

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*MARION COUNTY SCHOOL DISTRICT*  
*Ronald Fortenberry, Superintendent of Education*  
*1010 Highway 13 North, Suite 2*  
*Columbia, MS 39429*  
*601-736-7193*

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

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

**FINANCIAL HIGHLIGHTS**

- Total net assets, increased by \$420,067, which represents a 2% increase from fiscal year 2007.
- General revenues accounted for \$18,500,658 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,779,414, or 21% of total revenues.
- The District had \$22,680,005 in expenses; only \$4,779,414 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,500,658 were adequate to provide for these programs.
- Among major funds, the General Fund had \$16,021,619 in revenues and \$16,363,965 in expenditures. After net other financing sources of \$167,958, the net change in fund balance for the General Fund was a decrease of \$174,388 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, increased by \$162,447.
- Long-term debt decreased by \$712,738 due primarily to principal payments made during the fiscal year on existing long-term debt.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements

Management's Discussion and Analysis  
For the Year Ended June 30, 2008

because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

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

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

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133, a schedule of instructional, administrative and other expenditures for governmental funds, and statements of revenues, expenditures and changes in fund balances for the general fund and for all governmental funds for the last four years are also included in this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$17,430,467 as of June 30, 2008.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$8,170,767 of the District's net assets (47%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$10,816,872 of the District's net assets (63%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. The unrestricted portion of the District's net assets is a negative amount of \$1,557,172. The District's unrestricted net assets are in the negative primarily because the District reclassified sixteenth section principal loans from long-term debt to advances in a prior year.

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

Management's Discussion and Analysis  
For the Year Ended June 30, 2008

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

	Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
Current assets	\$ 4,260,473	\$ 5,493,828	(22.4) %
Other assets	5,565,928	4,891,647	13.8 %
Capital assets, net	<u>15,914,283</u>	<u>15,751,836</u>	1.0 %
<b>Total assets</b>	<u>25,740,684</u>	<u>26,137,311</u>	(1.5) %
Current liabilities	325,271	429,227	(24.2) %
Long-term debt outstanding	<u>7,984,946</u>	<u>8,697,684</u>	(8.2) %
<b>Total liabilities</b>	<u>8,310,217</u>	<u>9,126,911</u>	(8.9) %
<b>Net assets:</b>			
Invested in capital assets, net of related debt	8,170,767	7,409,671	10.3 %
Restricted	10,816,872	11,097,602	(2.5) %
Unrestricted	<u>(1,557,172)</u>	<u>(1,496,873)</u>	(4.0) %
<b>Total net assets</b>	<u>\$ 17,430,467</u>	<u>17,010,400</u>	2.5 %

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

- Current assets decreased from the previous fiscal year due primarily to a decrease in cash and cash equivalents resulting mainly from expenditures incurred during the fiscal year related to the renovation and construction of school facilities.
- Other assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents in the 16<sup>th</sup> Section Principal Fund. Cash and cash equivalents and investments reported in the 16<sup>th</sup> Section Principal Fund and MAEP Retirement Fund are reported as other assets (restricted assets).
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the purchase of capital assets and the reduction of long-term debt related to the capital assets.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$23,280,072. The total cost of all programs and services was \$22,860,005. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

Management's Discussion and Analysis  
For the Year Ended June 30, 2008

	Change in Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 767,708	\$ 1,330,729	-42.3%
Operating grants and contributions	4,011,706	3,868,619	3.7%
General revenues:			
Property taxes	2,827,832	2,763,267	2.3%
Grants and contributions not restricted	13,334,774	12,651,849	5.4%
Other	2,338,052	1,756,566	33.1%
<b>Total revenues</b>	<u>23,280,072</u>	<u>22,371,030</u>	4.1%
<b>Expenses:</b>			
Instruction	12,283,582	11,449,782	7.3%
Support services	7,668,464	6,942,277	10.5%
Non-instructional	1,569,827	1,362,082	15.3%
Sixteenth section	857,751	414,811	106.8%
Interest and other expenses on long-term liabilities	480,381	530,293	-9.4%
<b>Total expenses</b>	<u>22,860,005</u>	<u>20,699,245</u>	10.4%
<b>Increase in net assets</b>	<u>\$ 420,067</u>	<u>\$ 1,671,785</u>	-74.9%
<b>Net Assets, July 1</b>	17,010,400	15,098,464	12.7%
<b>Prior Period Adjustments</b>	-	240,151	-100.0%
<b>Net Assets, Restated, July 1</b>	<u>17,010,400</u>	<u>15,338,615</u>	10.9%
<b>Net Assets, June 30</b>	<u>\$ 17,430,467</u>	<u>\$ 17,010,400</u>	2.5%

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

- Program revenues decreased from the previous fiscal year due primarily to a decrease in charges for services. In the previous fiscal year, the District received insurance loss recoveries in the amount of \$568,019 which were reported as program revenue – charges for services on the Statement of Activities.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, investment earnings and sixteenth section sources.
- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits of District employees related to an increase in teacher units.
- Support services expenses on the Statement of Activities increased from the previous fiscal year. In the previous fiscal year, the District purchased numerous school buses and various other capital

Management's Discussion and Analysis  
For the Year Ended June 30, 2008

assets which were reported as a reduction of support services expenses on the Statement of Activities and an increase in capital assets. Therefore, the support services expenses in the current fiscal year are significantly higher than the prior fiscal year.

- Sixteenth section expenses increased from the previous fiscal year due primarily to an increase in expenditures to allocate revenue to other school districts which share sixteenth section lands with the District.

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

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 12,283,582	(10,074,833)	\$ 11,449,782	(8,663,890)
Support services	7,668,464	(6,551,404)	6,942,277	(5,970,448)
Non-instructional	1,569,827	(132,779)	1,362,082	31,526
Sixteenth section	857,751	(841,194)	414,811	(366,792)
Interest and other expenses on long-term liabilities	480,381	(480,381)	530,293	(530,293)
<b>Total expenses</b>	<b>\$ 22,860,005</b>	<b>(18,080,591)</b>	<b>\$ 20,699,245</b>	<b>(15,499,897)</b>

- The net cost of governmental activities for fiscal year 2008 in the amount of \$18,080,951 was financed by general revenue, which is made up of primarily property taxes of \$2,827,832 and state revenue of \$13,124,055.
- Investment earnings accounted for \$580,772 of funding.
- Sixteenth section sources in the amount of \$1,318,050 were generated during the fiscal year primarily from oil and gas royalties, the sale of timber and sixteenth section lease revenue.

**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.

Management's Discussion and Analysis  
For the Year Ended June 30, 2008

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2008, its governmental funds reported a combined fund balance of \$9,728,817. The net change in fund balance for the fiscal year was a decrease of \$475,526 due mainly to an increase in salaries and benefits related to an increase in teacher units and expenditures incurred during the fiscal year related to the construction and renovation of school facilities and improvements.

\$1,163,208, or 12%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. Included in this portion of the fund balance is a negative balance of \$1,315,742 in the General Fund which is primarily the result of the reclassification of sixteenth section principal loans in a prior fiscal year from long-term debt to advances. The portion of the fund balance reported in the Capital Projects Funds is a result of transfers from the General Fund and will be used for capital improvements. The remaining fund balance of \$8,565,609, or 88%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an decrease of \$174,388 due primarily to an increase in salary related expenditures and expenditures incurred during the fiscal year related to construction and renovation of school facilities and other improvements. The net change in fund balance for the 16<sup>th</sup> Section Interest Fund for the fiscal year was an increase of \$480,341 due primarily to revenues generated during the fiscal year mainly from the sale of timber, sixteenth leases and earnings on investments and transfers from the 16<sup>th</sup> Section Principal Fund. The net change in fund balance for the 16<sup>th</sup> Section Principal Fund for the fiscal year was an increase of \$405,187 due primarily to revenues generated during the fiscal year mainly from oil and gas royalties and earnings on investments, less sixteenth section expenditures incurred during the fiscal year. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$1,186,666 due primarily to the transfer of funds from the MCS Construction Fund to the General Fund to cover expenditures incurred for the renovation and construction of school facilities and other improvements.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from local sources in General Fund were increased to more accurately reflect local sources received during the fiscal year. Amount originally budgeted were understated.
- Budgeted amounts for support services expenditures in the General Fund were decreased to more accurately reflect expenditures incurred during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for facilities acquisition and construction expenditures in the General Fund were increased to reflect expenditures incurred for the renovation and construction of school facilities and other improvements. These expenditures were not included in the original budget of the General Fund.
- Budgeted amounts for revenue from local sources and sixteenth section sources in the 16<sup>th</sup> Section Interest Fund were increased to more accurately reflect an increase in earnings on investments and other sixteenth section revenue. The amounts originally budgeted were under stated.

Management's Discussion and Analysis  
For the Year Ended June 30, 2008

- Budgeted amounts for sixteenth section expenditures in the 16<sup>th</sup> Section Interest Fund were increased primarily to reflect an increase in expenditures to allocate revenue to other school districts which share sixteenth section lands with the District.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the District's total capital assets, before depreciation, were \$23,857,891, including land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$488,635 from the previous year. During the fiscal year, the District completed the Vo-Tech classroom addition, the football press boxes and canopies as well as purchased various items of mobile equipment and furniture and equipment. The District also disposed of ten school buses, four trucks and various items of furniture and equipment. Total depreciation expense for the year was \$709,412. Total accumulated depreciation as of June 30, 2008 was \$7,943,608, resulting in total net capital assets of \$15,914,283.

**Debt Administration.** At June 30, 2008, the District had \$7,984,946 in limited obligation bonds and other long-term debt outstanding, of which \$690,106 is due within one year. During the fiscal year, the District made principal payments in the amount of \$725,805 on existing long-term debt.

<u>Change</u>	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 179,394	\$ 179,394	0.0 %
Construction in progress	0	35,959	(100.0) %
Buildings	9,773,973	9,492,526	3.0 %
Building improvements	536,092	206,595	159.5 %
Improvements other than buildings	152,055	119,002	27.8 %
Mobile equipment	1,973,331	2,238,726	(11.9) %
Furniture and equipment	107,905	136,123	(20.7) %
Leases property under capital leases	<u>3,191,533</u>	<u>3,343,511</u>	(4.5) %
<b>Total</b>	<b><u>\$15,914,283</u></b>	<b><u>\$ 15,751,836</u></b>	<b>1.0 %</b>

Management's Discussion and Analysis  
For the Year Ended June 30, 2008

**CURRENT ISSUES**

The Marion County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Marion County School District, 1010 Highway 13 North, Suite 2, Columbia, MS 39429.

MARION COUNTY SCHOOL DISTRICT

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MARION COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

MARION COUNTY SCHOOL DISTRICT

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Marion County School District  
Statement of Net Assets  
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,378,344
Due from other governments	848,976
Inventories	33,153
Restricted assets	5,565,928
Capital assets, non-depreciable:	
Land	179,394
Capital assets, net of accumulated depreciation:	
Buildings	9,773,973
Building improvements	536,092
Improvements other than buildings	152,055
Mobile equipment	1,973,331
Furniture and equipment	107,905
Leased property under capital leases	3,191,533
Total Assets	<u>25,740,684</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	51,229
Unearned revenue	46,355
Interest payable on long-term liabilities	227,687
Long-term liabilities, due within one year	
Capital related liabilities	630,983
Non-capital related liabilities	59,123
Long-term liabilities, due beyond one year	
Capital related liabilities	7,112,533
Non-capital related liabilities	182,307
Total Liabilities	<u>8,310,217</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	8,170,767
Restricted net assets:	
Expendable:	
School - based activities	2,194,457
Debt service	554,881
Capital improvements	317,646
Forestry improvements	120,356
Unemployment benefits	65,178
Non-expendable:	
Sixteenth section	7,564,354
Unrestricted	(1,557,172)
Total Net Assets	<u>\$ 17,430,467</u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 12,283,582	431,696	1,777,053	(10,074,833)
Support services	7,668,464	-	1,117,060	(6,551,404)
Non-instructional	1,569,827	319,455	1,117,593	(132,779)
Sixteenth section	857,751	16,557	-	(841,194)
Interest on long-term liabilities	480,381	-	-	(480,381)
<b>Total governmental activities</b>	<b>\$ 22,860,005</b>	<b>767,708</b>	<b>4,011,706</b>	<b>(18,080,591)</b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
				2,559,644
				268,188
<b>Unrestricted grants and contributions:</b>				
				13,124,055
				210,719
				580,772
				1,318,050
				439,230
				<u>18,500,658</u>
				<u>420,067</u>
				<u>17,010,400</u>
				<u>\$ 17,430,467</u>

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

Marion County School District  
Balance Sheet - Governmental Funds  
June 30, 2008

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 285,881	2,121,940	5,358,972	970,523	8,737,316
Investments	-	-	29,290	177,666	206,956
Due from other governments	273,454	-	-	575,522	848,976
Due from other funds	344,826	-	-	-	344,826
Advance to other funds	-	-	2,185,530	-	2,185,530
Inventories	-	-	-	33,153	33,153
<b>Total Assets</b>	<b>904,161</b>	<b>2,121,940</b>	<b>7,573,792</b>	<b>1,756,864</b>	<b>12,356,757</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	34,373	-	9,438	7,418	51,229
Due to other funds	-	-	-	344,826	344,826
Advances from other funds	2,185,530	-	-	-	2,185,530
Deferred revenue	-	-	-	46,355	46,355
<b>Total Liabilities</b>	<b>2,219,903</b>	<b>-</b>	<b>9,438</b>	<b>398,599</b>	<b>2,627,940</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Advances	-	-	2,185,530	-	2,185,530
Inventory	-	-	-	33,153	33,153
Unemployment benefits	-	-	-	65,178	65,178
Forestry improvement purposes	-	-	-	120,356	120,356
Debt service purposes	-	-	-	782,568	782,568
Permanent fund purposes	-	-	5,378,824	-	5,378,824
<b>Unreserved:</b>					
<b>Undesignated, reported in:</b>					
General fund	(1,315,742)	-	-	-	(1,315,742)
Special revenue funds	-	2,121,940	-	39,364	2,161,304
Capital Pprojects funds	-	-	-	317,646	317,646
<b>Total Fund Balances</b>	<b>(1,315,742)</b>	<b>2,121,940</b>	<b>7,564,354</b>	<b>1,358,265</b>	<b>9,728,817</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 904,161</b>	<b>2,121,940</b>	<b>7,573,792</b>	<b>1,756,864</b>	<b>12,356,757</b>

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

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

Exhibit C-1

	<u>Amount</u>
<b>Total fund balance - governmental funds</b>	\$ 9,728,817
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,943,608.	15,914,283
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,984,946)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	<u>(227,687)</u>
Total Net Assets - Governmental Activities	<u>\$ 17,430,467</u>

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

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

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund		
<b>Revenues:</b>					
Local sources	\$ 2,948,144	62,509	295,149	1,194,656	4,500,458
Intermediate sources	9,000	-	-	-	9,000
State sources	12,772,097	-	-	1,109,926	13,882,023
Federal sources	292,378	-	-	3,254,076	3,546,454
Sixteenth section sources	-	195,717	1,123,550	16,557	1,335,824
Total revenues	<u>16,021,619</u>	<u>258,226</u>	<u>1,418,699</u>	<u>5,575,215</u>	<u>23,273,759</u>
<b>Expenditures:</b>					
Instruction	9,213,188	-	-	2,814,913	12,028,101
Support services	5,827,467	-	-	1,440,572	7,268,039
Non-instructional services	-	-	-	1,534,540	1,534,540
Sixteenth section	-	63,074	734,125	60,552	857,751
Facilities acquisition and construction	846,944	-	-	-	846,944
Debt Service:					
Principal	197,649	-	-	528,156	725,805
Interest	278,717	-	-	221,352	500,069
Other	-	-	-	720	720
Total expenditures	<u>16,363,965</u>	<u>63,074</u>	<u>734,125</u>	<u>6,600,805</u>	<u>23,761,969</u>
Excess (deficiency) of revenues over expenditures	<u>(342,346)</u>	<u>195,152</u>	<u>684,574</u>	<u>(1,025,590)</u>	<u>(488,210)</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	6,313	-	-	-	6,313
Sale of transportation equipment	19,514	-	-	-	19,514
Sale of other property	1,247	-	-	-	1,247
Transfers in	1,222,184	304,165	463,206	1,174,956	3,164,511
Transfers out	(1,081,300)	(18,976)	(742,593)	(1,321,642)	(3,164,511)
Total Other Financing Sources (uses)	<u>167,958</u>	<u>285,189</u>	<u>(279,387)</u>	<u>(146,686)</u>	<u>27,074</u>
Net Change in Fund Balances	<u>(174,388)</u>	<u>480,341</u>	<u>405,187</u>	<u>(1,172,276)</u>	<u>(461,136)</u>
<b>Fund balances:</b>					
July 1, 2007	<u>(1,141,354)</u>	<u>1,641,599</u>	<u>7,159,167</u>	<u>2,544,931</u>	<u>10,204,343</u>
Decrease in reserve for inventory	-	-	-	(14,390)	(14,390)
June 30, 2008	<u>\$ (1,315,742)</u>	<u>2,121,940</u>	<u>7,564,354</u>	<u>1,358,265</u>	<u>9,728,817</u>

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

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

Exhibit D-1

	<u>Amount</u>
<b>Net Change in fund balances - governmental funds</b>	<b>\$ (461,136)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$910,416 and the depreciation expense amounted to \$709,412.	201,004
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities for government activities.	725,805
3. Governmental funds recognized interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	20,408
4. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(38,557)
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are increased in the Statement of Activities.	(14,390)
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds.	
Compensated absences	(13,067)
Change in Net Assets of Governmental Activities	<u>\$ 420,067</u>

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

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

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,105,283</u>
Total Assets	<u><u>1,105,283</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,026,705
Due to student clubs	<u>78,578</u>
Total Liabilities	<u><u>\$ 1,105,283</u></u>

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

MARION COUNTY SCHOOL DISTRICT

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

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

Blended component unit.

The Marion County School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five-member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 12).

MARION COUNTY SCHOOL DISTRICT

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

MARION COUNTY SCHOOL DISTRICT

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

16<sup>th</sup> Section Interest Fund – This is a Special Revenue Fund. 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.

16<sup>th</sup> Section Principal Fund – This is a permanent fund used to account for resources from sixteenth section lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

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

## MARION COUNTY SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* issued in 2005 by the Government Financial 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.

MARION COUNTY SCHOOL DISTRICT

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

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity.

1. Cash and Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district, as well as its component units, are reported at fair market value.

2. Receivables and Payables.

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

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

3. Due from Other Governments.

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

MARION COUNTY SCHOOL DISTRICT

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets.

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

6. Capital Assets.

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

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

MARION COUNTY SCHOOL DISTRICT

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

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

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

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

MARION COUNTY SCHOOL DISTRICT

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

7. Compensated Absences.

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

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

8. Long-term liabilities.

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

The government fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for 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.

MARION COUNTY SCHOOL DISTRICT

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

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

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

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

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

(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 are imposed by statutes as follows:

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

MARION COUNTY SCHOOL DISTRICT

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,737,316 and \$1,105,283, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents - \$3,378,344 and restricted assets - \$5,358,972. The restricted assets of \$5,565,928 represent the cash balance and investment balance of the Sixteenth Section Principal Fund (Permanent Fund) of \$5,358,972 and \$29,290, respectively, and the investment balance of \$177,666 of the MAEP Retirement Fund, which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$11,668,901.

*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 \$11,668,901 was exposed to custodial credit risk.

Investments.

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

Investment Type	Maturities (in years)	Fair Value	Rating
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	Less than 1 year	\$ 177,666	AAAm
<i>Governmental National Mortgage Association</i>	More than 10 years	<u>29,290</u>	Not Rated
Total Investments		<u>\$ 206,956</u>	

MARION COUNTY SCHOOL DISTRICT

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

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

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

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 344,826
Total		<u>\$ 344,826</u>

During the course of the school year, expenditures are paid in certain funds on a reimbursement basis causing the district to have to borrow from other funds in order to not create a deficit in any particular fund. The above interfund loans were made to cover year end expenditures.

B. Advances To/Advances From:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
16th Section Principal Fund	General Fund	\$ 2,185,530
Total		<u>\$ 2,185,530</u>

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

MARION COUNTY SCHOOL DISTRICT

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

**Sixteenth section principal loans payable.**

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 191,751	87,421	279,172
2010	199,421	79,751	279,172
2011	182,077	71,775	253,852
2012	189,360	64,491	253,851
2013	196,935	56,917	253,852
2014-2018	732,781	181,918	914,699
2019-2023	436,604	59,066	495,670
2024	56,601	2,264	58,865
<b>Total</b>	<b>\$ 2,185,530</b>	<b>603,603</b>	<b>2,789,133</b>

C. Interfund Transfers.

	Transfers In	Transfers Out
General fund	\$ 1,222,184	\$ 1,081,300
16th Section Principal	463,206	742,593
16th Section Interest	304,165	18,976
Other governmental funds	1,174,956	1,321,642
<b>Total Funds</b>	<b>\$ 3,164,511</b>	<b>\$ 3,164,511</b>

The above transfers were for distribution of MAEP monies to various funds, and the transfer of sixteenth section principal and interest funds.

(4) Restricted Assets.

The restricted assets represent the cash balance and investment balance, totaling \$5,358,972 and \$206,956 respectively, which represents cash and investments of the Sixteenth Section Principal Fund (Permanent Fund) of \$5,388,262 and \$177,666 of the MAEP funds which are legally restricted and may not be used for purposes that support the district's program.

MARION COUNTY SCHOOL DISTRICT

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

(5) Capital Assets.

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

	Balance 07/01/07	Additions	Retirements	Completed Construction	Balance 06/30/08
<u>Non-depreciable capital assets:</u>					
Land	\$ 179,394	-	-	-	179,394
Construction in progress	35,959	846,944	-	(882,903)	-
Total non-depreciable capital assets	215,353	846,944	-	(882,903)	179,394
<u>Depreciable capital assets:</u>					
Buildings	13,633,949	-	-	529,923	14,163,872
Building improvement	234,104	-	-	352,980	587,084
Improvements other than buildings	595,010	34,430	-	-	629,440
Mobile equipment	3,829,409	11,285	(381,540)	-	3,459,154
Furniture and equipment	1,061,987	17,757	(40,241)	-	1,039,503
Leased property under capital leases	3,799,444	-	-	-	3,799,444
Total depreciable capital assets	23,153,903	63,472	(421,781)	882,903	23,678,497
<u>Less accumulated depreciation for:</u>					
Buildings	(4,141,423)	(248,476)	-	-	(4,389,899)
Building improvement	(27,509)	(23,483)	-	-	(50,992)
Improvements other than buildings	(476,008)	(1,377)	-	-	(477,385)
Mobile equipment	(1,590,683)	(238,526)	343,386	-	(1,485,823)
Furniture and equipment	(925,864)	(45,572)	39,838	-	(931,598)
Leased property under capital leases	(455,933)	(151,978)	-	-	(607,911)
Total accumulated depreciation	(7,617,420)	(709,412)	383,224	-	(7,943,608)
Total depreciable capital assets, net	15,536,483	(645,940)	(38,557)	882,903	15,734,889
Governmental activities capital assets, net	\$ 15,751,836	201,004	(38,557)	-	15,914,283

MARION COUNTY SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 241,893
Support Services	417,233
Non-instructional	20,244
Facilities acquisition and construction	<u>30,042</u>
 Total depreciation expense	 <u><u>\$ 709,412</u></u>

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

(6) Long-term liabilities.

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

	<u>Balance</u> <u>07/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/08</u>	<u>Amounts due</u> <u>within one</u> <u>year</u>
A. Limited obligation bonds payable	\$ 3,790,000	-	240,000	3,550,000	250,000
B. Certificates of participation payable	755,000	-	50,000	705,000	55,000
C. Three mill notes payable	347,000	-	111,000	236,000	116,000
D. Shortfall notes payable	175,671	-	127,156	48,515	48,515
E. Obligations under energy efficiency lease	3,450,165	-	197,649	3,252,516	209,983
D. Compensated absences payable	179,848	13,067	-	192,915	10,608
 Total	 <u><u>\$ 8,697,684</u></u>	 <u><u>13,067</u></u>	 <u><u>725,805</u></u>	 <u><u>7,984,946</u></u>	 <u><u>690,106</u></u>

MARION COUNTY SCHOOL DISTRICT

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

A. Limited obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds, Series 1998	4.4%-4.6%	03/01/98	02/01/18	\$ 5,320,000	3,550,000
Total				<u>\$ 5,320,000</u>	<u>3,550,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 250,000	156,760	406,760
2010	265,000	145,298	410,298
2011	275,000	113,148	388,148
2012	290,000	120,290	410,290
2013	305,000	106,605	411,605
2014-2018	<u>2,165,000</u>	<u>303,140</u>	<u>2,468,140</u>
Total	<u>\$ 3,550,000</u>	<u>945,241</u>	<u>4,495,241</u>

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

B. Certificates of participation payable.

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

MARION COUNTY SCHOOL DISTRICT

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust certificates	4.93%	06/01/98	06/01/18	\$ 2,620,000	705,000
Total				<u>\$ 2,620,000</u>	<u>705,000</u>

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 55,000	34,757	89,757
2010	60,000	32,045	92,045
2011	60,000	29,087	89,087
2012	65,000	26,129	91,129
2013	70,000	22,924	92,924
2014-2018	395,000	60,096	455,096
Total	<u>\$ 705,000</u>	<u>205,038</u>	<u>910,038</u>

This debt will be retired from the Lease Debt Service Fund.

C. Three mill notes payable.

Debt currently outstanding is as follows.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year note payable	4.6-4.7%	9/1/1999	9/1/2009	\$ 1,000,000	236,000
Total				<u>\$ 1,000,000</u>	<u>236,000</u>

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 116,000	8,337	124,337
2010	120,000	2,820	122,820
Total	<u>\$ 236,000</u>	<u>11,157</u>	<u>247,157</u>

This debt will be retired from the 3 Mill Note Retirement Fund.

MARION COUNTY SCHOOL DISTRICT

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

D. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall note payable, Series 2005	5.37%	9/1/2005	9/1/2008	\$ 138,255	48,515
		Total		<u>\$ 138,255</u>	<u>48,515</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 48,515	2,605	51,120
Total	<u>\$ 48,515</u>	<u>2,605</u>	<u>51,120</u>

This debt will be retired from the Shortfall Note Retirement Fund.

E. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy Efficiency Lease	5.26%	7/20/2004	7/20/2019	\$ 3,799,444	3,252,516
		Total		<u>\$ 3,799,444</u>	<u>3,252,516</u>

Details of the district's June 30, energy efficiency lease payable are as follows:

MARION COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 209,983	171,082	381,065
2010	223,024	160,037	383,061
2011	236,758	148,306	385,064
2012	251,281	135,853	387,134
2013	266,637	122,635	389,272
2014-2018	1,595,949	384,977	1,980,926
2019-2020	468,884	29,183	498,067
Total	<u>\$ 3,252,516</u>	<u>1,152,073</u>	<u>4,404,589</u>

An energy efficiency lease agreement dated July 20, 2004, was executed by and between the district, the lessee, and First Security Bank, the lessor.

The agreement authorized the borrowing of \$3,799,444 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments shall be made from the District Maintenance Fund and not to exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

F. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

MARION COUNTY SCHOOL DISTRICT

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

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 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 \$1,417,033, \$1,261,683, and \$1,162,839, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2009	\$ 77,431
2010	69,782
2011	58,898
2012	48,454
2013	28,934
2014-2018	99,040
2019-2023	78,249
2024-2028	63,736
2029-2033	39,001
2034-2038	7,470
2039-2043	7,000
2044-2048	7,000
Total	<u>\$ 584,995</u>

(9) Contingencies.

Federal Grants. – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

MARION COUNTY SCHOOL DISTRICT

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

Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcomes or liability, if any, of the school district with respect to various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

(10) Subsequent Events.

On July 22, 2008, a limited tax note of \$1,120,000 at 3.67% interest was issued. This debt had previously been approved at the May 19, 2008 board meeting.

Also on July 22, 2008, the school district issued State Aid Capital Improvement Refunding Bond, Series 2008, for \$3,408,000 at an interest rate of 3.35%, with Hancock Bank as paying agent. The purpose was to refund the 2009-2018 maturities of the outstanding principal amount of the district's State Aid Capital Improvement Bond, Series 1998, which had an interest rate of 4.5-4.6%. This is shown in Note 6 as a limited obligation bond payable. The refunded bonds will be repaid with the Mississippi Accountability and Adequate Education Program (MAEP) funds. This debt had previously been approved at the May 19, 2008 board meeting.

On November 3, 2008, the school district approved a bid of \$369,000 for a door replacement project.

On March 16, 2009, the board approved a bid for air-conditioning of gymnasiums at East and West Marion Schools for \$239,300.

On May 4, 2009, the school district approved an agreement for the City of Columbia Schools and Marion County School District to have joint operations of the vocational-technical school at the Carl Loftin Career & Technology Center.

(11) Risk Management.

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

(12) Trust Certificates

A trust agreement dated June 1, 1998, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,620,000 to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

MARION COUNTY SCHOOL DISTRICT

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

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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Marion County School District  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,779,471	2,983,894	2,948,144	204,423	(35,750)
	-	9,000	9,000	9,000	-
State sources	12,862,524	12,783,014	12,772,097	(79,510)	(10,917)
Federal sources	245,000	298,400	292,378	53,400	(6,022)
Total Revenues	<u>15,886,995</u>	<u>16,074,308</u>	<u>16,021,619</u>	<u>187,313</u>	<u>(52,689)</u>
<b>Expenditures:</b>					
Instruction	9,752,171	9,425,448	9,213,188	326,723	212,260
Support services	6,978,357	5,947,115	5,827,467	1,031,242	119,648
Facilities acquisition and construction	-	858,936	846,944	(858,936)	11,992
<b>Debt service:</b>					
Principal	443,077	443,077	197,649	-	245,428
Interest	278,717	278,717	278,717	-	-
Total Expenditures	<u>17,452,322</u>	<u>16,953,293</u>	<u>16,363,965</u>	<u>499,029</u>	<u>589,328</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,565,327)	(878,985)	(342,346)	686,342	536,639
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	6,500	6,313	6,500	(187)
Sale of transportation equipment	10,000	20,000	19,514	10,000	(486)
Sale of other property	5,000	2,000	1,247	(3,000)	(753)
Transfers in	4,735,280	4,441,252	1,222,184	(294,028)	(3,219,068)
Transfers out	(4,009,711)	(4,278,694)	(1,081,300)	(268,983)	3,197,394
Total Other Financing Sources (Uses)	<u>740,569</u>	<u>191,058</u>	<u>167,958</u>	<u>(549,511)</u>	<u>(23,100)</u>
Net Change in Fund Balances	<u>(824,758)</u>	<u>(687,927)</u>	<u>(174,388)</u>	<u>136,831</u>	<u>513,539</u>
<b>Fund Balances:</b>					
July 1, 2007	<u>926,491</u>	<u>1,217,919</u>	<u>(1,141,354)</u>	<u>291,428</u>	<u>(2,359,273)</u>
June 30, 2008	<u>\$ 101,733</u>	<u>\$ 529,992</u>	<u>\$ (1,315,742)</u>	<u>\$ 428,259</u>	<u>\$ (1,845,734)</u>

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

Marion County School District  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest 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	\$ 800	63,150	62,509	62,350	(641)
Sixteenth section sources	108,650	206,004	195,717	97,354	(10,287)
Total revenues	<u>109,450</u>	<u>269,154</u>	<u>258,226</u>	<u>159,704</u>	<u>(10,928)</u>
Expenditures:					
Sixteenth section	<u>55,791</u>	<u>96,524</u>	<u>63,074</u>	<u>(40,733)</u>	<u>33,450</u>
Total expenditures	<u>55,791</u>	<u>96,524</u>	<u>63,074</u>	<u>(40,733)</u>	<u>33,450</u>
Excess (deficiency) of revenues over expenditures	<u>53,659</u>	<u>172,630</u>	<u>195,152</u>	<u>118,971</u>	<u>22,522</u>
Other Financing Sources (Uses):					
Transfers in	234,142	310,638	304,165	76,496	(6,473)
Transfers out	<u>(30,904)</u>	<u>(25,130)</u>	<u>(18,976)</u>	<u>5,774</u>	<u>6,154</u>
Total other financing sources and uses	<u>203,238</u>	<u>285,508</u>	<u>285,189</u>	<u>82,270</u>	<u>(319)</u>
Net change in fund balances	<u>256,897</u>	<u>458,138</u>	<u>480,341</u>	<u>201,241</u>	<u>22,203</u>
Fund balances:					
July 1, 2007	<u>1,100,000</u>	<u>1,641,599</u>	<u>1,641,599</u>	<u>541,599</u>	<u>-</u>
June 30, 2008	<u>\$ 1,356,897</u>	<u>\$ 2,099,737</u>	<u>\$ 2,121,940</u>	<u>\$ 742,840</u>	<u>\$ 22,203</u>

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

Marion County School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule 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<sup>th</sup> of each year. 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.

MARION COUNTY SCHOOL DISTRICT

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MARION COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

MARION COUNTY SCHOOL DISTRICT

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Marion County School District  
Schedule of Expenditure of Federal Awards  
For the Year Ending June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 366,459
National school lunch program	10.555	851,897
Total U. S. Department of Agriculture		<u>1,218,356</u>
<u>U. S. Department of Defense</u>		
Direct program:		
Reserve officers' training corps	12.XXX	53,899
Total U. S. Department of Defense		<u>53,899</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company Communications Information and Assistance and		
Investigation of Complaints	32.001	112,332
Total Federal Communications Commission		<u>112,332</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	943,094
Career and Technical education - basic grants to states	84.048	38,947
Safe and drug-free schools and communities - state grants	84.186	7,282
Education technology state grants	84.318	9,123
Gaining early awareness and readiness for undergraduate programs	84.334	27,720
Teacher quality enhancement grants	84.336	40
Transition to teaching	84.350	1,611
Rural education	84.358	20,597
Improving teacher quality state grants	84.367	293,992
Grants for state assessment and related activities	84.369	14,002
Total		<u>1,356,408</u>
Special education cluster:		
Special education-grants to states	84.027	641,881
Special education-preschool grants	84.173	43,226
Total		<u>685,107</u>
Total passed-through Mississippi Department of Education		<u>2,041,515</u>
Total U.S. Department of Education		<u>2,041,515</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services		
Medical assistance program	93.778	98,388
Total U. S. Department of Health and Human Services		<u>98,388</u>
Total for All Federal Awards		<u>\$ 3,524,490</u>

NOTES TO SCHEDULE:

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable used for the financial statements.

The expenditure amounts include transfers out.

The pass-through entities did not assign identifying numbers to the school district.

Marion County School District  
 Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds  
 For the Year Ended June 30, 2008

Expenditures	Total	Instruction and Other Student	General	School	Other
		Instructional Expenditures	Administration	Administration	
Salaries and fringe benefits	\$ 16,459,586	12,753,246	560,462	1,054,898	2,090,981
Other	7,302,383	1,460,697	160,264	37,785	5,643,637
<b>Total</b>	<b>\$ 23,761,969</b>	<b>14,213,943</b>	<b>720,726</b>	<b>1,092,683</b>	<b>7,734,618</b>
Total number of students *	2,285				
Cost per student	\$ 10,399	6,221	315	478	3,385

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

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

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

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

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

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

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**OTHER SUPPLEMENTAL INFORMATION**

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Marion County School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
General Fund  
Last Four Years Comparison

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 2,948,144	2,827,089	2,698,234	2,322,230
Immediate sources	\$ 9,000	-	-	-
State sources	12,772,097	12,079,974	11,426,762	10,487,457
Federal sources	292,378	266,600	86,937	125,994
Total revenues	<u>16,021,619</u>	<u>15,173,663</u>	<u>14,211,933</u>	<u>12,935,681</u>
<b>Expenditures:</b>				
Instruction	9,213,188	8,392,915	6,392,203	7,295,351
Support services	5,827,467	7,026,987	4,694,340	4,202,066
Facilities acquisition and construction	846,944	35,959	196,011	3,876,843
Debt Service:				
Principal	197,649	185,987	163,292	-
Interest	278,717	297,940	329,178	127,035
Total expenditures	<u>16,363,965</u>	<u>15,939,788</u>	<u>11,775,024</u>	<u>15,501,295</u>
Excess (deficiency) of revenues over expenditures	<u>(342,346)</u>	<u>(766,125)</u>	<u>2,436,909</u>	<u>(2,565,614)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	-	-	138,255	234,538
Proceeds of lease	-	-	-	3,799,444
Insurance loss recoveries	6,313	568,019	350,000	-
Sale of transportation equipment	19,514	13,490	-	-
Sale of other property	1,247	-	9,000	139
Operating transfers in	1,222,184	3,576,360	2,609,528	2,008,017
Operating transfers out	(1,081,300)	(3,589,768)	(4,589,775)	(3,235,101)
Other financing sources	-	-	247	-
Total Other Financing Sources (uses)	<u>167,958</u>	<u>568,101</u>	<u>(1,482,745)</u>	<u>2,807,037</u>
Net Change in Fund Balances	<u>(174,388)</u>	<u>(198,024)</u>	<u>954,164</u>	<u>241,423</u>
Fund balances:				
Beginning balance	<u>(1,141,354)</u>	<u>(943,330)</u>	<u>(1,897,494)</u>	<u>(2,138,917)</u>
Ending balance	<u>\$ (1,315,742)</u>	<u>(1,141,354)</u>	<u>(943,330)</u>	<u>(1,897,494)</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

Marion County School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Funds  
Last Four Years Comparison

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 4,500,458	3,769,163	3,538,091	3,119,453
Intermediate sources	9,000	-	-	-
State sources	13,882,023	13,261,134	12,572,289	11,640,333
Federal sources	3,546,454	3,416,672	5,512,447	3,501,625
Sixteenth section sources	1,335,824	1,356,042	507,829	279,498
Total revenues	<u>23,273,759</u>	<u>21,803,011</u>	<u>22,130,656</u>	<u>18,540,909</u>
<b>Expenditures:</b>				
Instruction	12,028,101	11,234,590	10,692,960	9,948,996
Support services	7,268,039	8,290,972	6,521,249	5,469,652
Non-instructional services	1,534,540	1,369,283	1,338,932	1,342,542
Sixteenth section	857,751	414,811	82,500	58,219
Facilities acquisition and construction	846,944	35,959	227,511	3,876,843
Debt Service:				
Principal	725,805	734,445	643,660	394,611
Interest	500,069	551,314	599,934	409,170
Other	720	741	-	-
Total expenditures	<u>23,761,969</u>	<u>22,632,115</u>	<u>20,106,746</u>	<u>21,500,033</u>
Excess (deficiency) of revenues over expenditures	<u>(488,210)</u>	<u>(829,104)</u>	<u>2,023,910</u>	<u>(2,959,124)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	-	-	138,255	234,538
Proceeds of lease	-	-	-	3,799,444
Insurance loss recoveries	6,313	568,019	350,000	-
Sale of transportation equipment	19,514	13,490	-	-
Sale of other property	1,247	-	9,000	139
Operating transfers in	3,164,511	5,119,409	5,387,990	3,633,982
Operating transfers out	(3,164,511)	(5,119,409)	(5,387,990)	(3,633,982)
Other financing uses	-	(2,694)	(30,628)	-
Other financing sources	-	-	247	-
Total Other Financing Sources (uses)	<u>27,074</u>	<u>578,815</u>	<u>466,874</u>	<u>4,034,121</u>
	<u>(461,136)</u>	<u>(250,289)</u>	<u>2,490,784</u>	<u>1,074,997</u>
<b>Fund balances:</b>				
Beginning Balance	10,204,343	10,184,664	7,713,300	6,598,185
Prior period adjustments	-	240,151	-	46,310
Beginning Balance, restated	<u>10,204,343</u>	<u>10,424,815</u>	<u>7,713,300</u>	<u>6,644,495</u>
Increase (decrease) in reserve for inventory	<u>(14,390)</u>	<u>29,817</u>	<u>(19,420)</u>	<u>(6,192)</u>
Ending Balance	<u>\$ 9,728,817</u>	<u>10,204,343</u>	<u>10,184,664</u>	<u>7,713,300</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

MARION COUNTY SCHOOL DISTRICT

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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*

June 8, 2009

Superintendent and School Board  
Marion County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Marion County School District as of and for the year ended June 30, 2008, which collectively comprise Marion County School District's basic financial statements and have issued our report thereon dated June 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-01 and 2008-02 to be significant deficiencies in internal control over financial reporting.

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

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

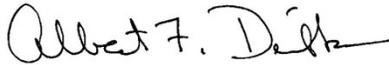
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated June 8, 2009, which is included in this report.

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

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

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, MS

**CERTIFIED PUBLIC ACCOUNTANT**

**AICPA/MSCPA**

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

June 8, 2009

Superintendent and School Board  
Marion County School District

Compliance

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

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

In our opinion, Marion County 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 Marion County 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.

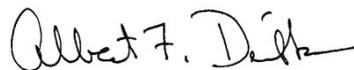
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal 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 considerations 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 entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben". The signature is written in black ink and is positioned above the typed name.

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

MARION COUNTY SCHOOL DISTRICT

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

MARION COUNTY SCHOOL DISTRICT

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**CERTIFIED PUBLIC ACCOUNTANT**

**AICPA/MSCPA**

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

June 8, 2009

Superintendent and School Board  
Marion County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Marion County School District as of and for the year ended June 30, 2008, which collectively comprise Marion County School District's basic financial statements and have issued our report thereon dated June 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds".

The results of 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 \$16,262 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 ensure 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 requirement of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

1. Finding:

Management is responsible for insuring that all invoices are paid within the 45-day statutory limit.

During our review of activity fund expenditures, there was one instance of an invoice not paid within the 45-day statutory limit.

Per Section 31-7-305, Miss. Code Ann. (1972), payments are to be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection, and approval of the goods and services. The public body will be liable to the vendor, in addition to the amount of the invoice, interest at a rate of one and one-half percent per month or portion thereof on the unpaid balance from the expiration of the 45-day period.

An internal control over purchasing was not functioning properly.

Recommendation:

The district should comply with Section 31-7-305, Miss. Code Ann. (1972).

School District's Response:

The staff of the Marion County School District works hard to comply with Section 31-305, Miss. Code Ann. (1972). The delay in paying this invoice is not typical of our financial operating procedures. In the future we will make a stronger effort to make sure the law is followed.

2. Finding:

Section 29-3-57, Miss. Code Ann. (1972), states, "The superintendent of education shall keep a current docket as to expiration dates of all leases on sixteenth section land.... Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present and the board shall inaugurate the proper legal proceedings to terminate such lease."

As reported in the prior year's audit report and during our review of sixteenth section leases, we noted numerous delinquent leases over (60) days past due and several instances of lease payments not for the amount owed.

Inadequate enforcement of the laws concerning sixteenth section leases resulted in this noncompliance.

Noncompliance with Section 29-3-57, Miss. Code Ann. (1972), could result in the district not receiving rental income for the use of sixteenth section lands and forfeiture of any interest that the district could have earned.

Recommendation:

We recommend that the district strengthen its control of sixteenth section leases and comply with Section 29-3-57, Miss. Code Ann. (1972).

School District's Response:

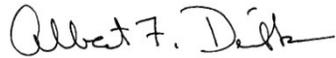
The Marion County School District will comply with Section 29-3-57, Miss. Code Ann, (1972). We will also have additional training for our staff concerning sixteenth section leases.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Albert F. Dribben". The signature is written in a cursive style with a long horizontal flourish at the end.

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

MARION COUNTY SCHOOL DISTRICT

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MARION COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARION COUNTY SCHOOL DISTRICT

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MARION COUNTY 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 weaknesses identified?  | No          |
|   | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes         |

Federal Awards:

- |   |  |             |
|---|--|-------------|
| 4 | Type of auditor's report issued on compliance for major federal programs:            | Unqualified |
| 5 | Internal control over major programs:  |             |
|   | a. Material weakness identified?   | No          |
|   | b. Significant deficiency identified that is not considered to be material weakness? | No          |
| 6 | Any audit finding reported as required by Section ____ .510(a) of Circular A-133?    | No          |
| 7 | Federal programs identified as major programs:                                       |             |

Program name:

Child Nutrition Cluster:

School breakfast program

CFDA#10.553

National school lunch program

CFDA#10.555

Special Education Cluster:

Special education-grants to states

CFDA# 84.027

Special Education-preschool grants

CFDA# 84.173

- |    |   |            |
|----|---|------------|
| 8  | The dollar threshold used to distinguish between type A and type B programs:  | \$ 300,000 |
| 9  | Auditee qualified as low-risk auditee?  | Yes        |
| 10 | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No         |

MARION COUNTY SCHOOL DISTRICT

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

Section 2: Financial Statement Findings:

Significant Deficiencies Not Considered to be Material Weaknesses

2008-01 Finding

Policies and procedures should be in place to document and record into the general fixed assets data base all fixed assets placed in service in the school district.

During our review of fixed assets, the following discrepancies were found:

1. One item was not tagged properly.
2. Another item that had previously been disposed of was found in working order, but not listed on the inventory list.

There is a weak internal control over the completeness function of the general fixed assets.

The effect of the general fixed assets having not been complete could possible cause an understatement of assets, or an item not being accounted for.

We recommend that all assets purchased or placed into service by the school district be recorded into the general fixed assets data base and that all fixed assets be properly tagged.

2008-02 Finding

As reported in the prior year audit report, deposits for Activity Fund revenue should be made in a timely manner.

Management is responsible for insuring that all revenue earned is deposited in the depository to safeguard assets of the district. Strong internal controls require deposits to be made timely.

During our tests of activity fund receipts for one month, we noted (14) instances of deposits not being made timely.

This weakness occurred due to school level personnel not adhering to the instructions of management and not following the district policy concerning deposits.

Failure to adhere to internal controls related to district deposits could result in the loss of assets.

We recommend all personnel follow the district policy and management's instructions, and make all deposits in a timely manner.

MARION COUNTY SCHOOL DISTRICT

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

Section 3: Federal Award Findings and Questioned Costs:

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

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MARION COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

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# **Marion County Schools**

*Teach, Inspire, and Challenge*

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2008-01	<p>a. <b>Corrective Action Planned:</b> The school district has employed a clerical person to be in charge of fixed assets on a daily basis. This person's job is to maintain the fixed assets and work with all parties in making sure all policies and procedures are followed. The technology department has been informed that once an item is disposed of it can no longer be used; it must be removed from the premises.</p> <p>b. <b>Anticipated Completion Date:</b> Immediately, Fiscal Year 2010.</p>
2008-02	<p>a. <b>Corrective Action Planned:</b> I met with our school employees who handled activity funds and discussed with them the problems of holding money and not making timely deposits. I stressed the importance of this situation. We made clerical changes in a problem area for this fiscal year that will help in deposits not being held. I am conducting in-service training for all individuals that handle money. All individuals that handle money know the importance of making timely deposits.</p> <p>b. <b>Anticipated Completion Date:</b> Immediately, Fiscal Year 2010.</p>

Sincerely,

Donna Martin  
Director of Finance