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DREW SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT SECTION
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information 2

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS
Statement of Net Assets 11
Statement of Activities 12
Balance Sheet – Governmental Funds 13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities 16
Statement of Fiduciary Assets and Liabilities 17
Notes to Financial Statements 18

REQUIRED SUPPLEMENTARY INFORMATION 31
Budgetary Comparison Schedule - General Fund 32
Budgetary Comparison Schedule - Title I Fund 33
Notes to Required Supplementary Information 34

SUPPLEMENTAL INFORMATION 35
Schedule of Expenditures of Federal Awards 36
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds 37

OTHER SUPPLEMENTAL INFORMATION 38
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund - Last Four Years 39
Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Funds - Last Four Years 40

REPORTS ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS 41
Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* 42
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 44

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 46
Independent Auditor's Report on Compliance with State Laws and Regulations 47

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 49
Schedule of Findings and Questioned Costs 50

JOEL B. CUNNINGHAM

CERTIFIED PUBLIC ACCOUNTANT
202 CHURCH STREET
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675
(662) 247-2416

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

Superintendent and School Board
Drew School District
Drew, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Drew School District as of and for the year ended June 30, 2008, which collectively comprise the Drew School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Drew 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.

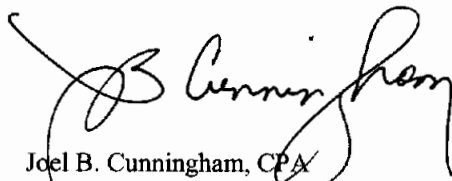
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Drew School District, as of June 30, 2008, and the respective changes 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 April 15, 2009 on our consideration of the Drew 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages (4) through (9) and the Budgetary Comparison Schedule and corresponding notes on pages (31) through (34) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Drew 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 Balance, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Joel B. Cunningham, CPA
April 15, 2009

DREW SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DREW SCHOOL DISTRICT

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

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

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$60,011 which represents a 8% decrease from fiscal year 2007.
- General revenues account for \$4,184,351 revenue, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,618,790 or 28% of total revenues.
- The District had \$5,873,934 in expenses; only \$1,618,790 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$4,184,351 and beginning net assets were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,974,698 in revenues and \$4,133,744 in expenditures. The General Fund's fund balance decreased \$108,331 over the prior year. The Title I Fund had \$684,595 in revenues and \$668,908 in expenses, with a decrease of \$10,879 in fund balance.
- Capital assets, net of accumulated depreciation, decreased by \$45,984 as a result of depreciation, net of additions and adjustments.
- Long-term debt decreased by \$65,199; this decrease is due to the repayment of the debt as required by the amortization schedules.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 16, respectively.

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

The basic governmental fund financial statements can be found on Exhibits C and D of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The School District's fiduciary activities are presented in the Statement of Fiduciary Assets and Liabilities on page 17.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-29 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and Title I Fund. This required supplementary information can be found on pages 31-33 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 36 of this report. The Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds can be found on page 37. The Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Fund – Last Four Years on pages are 39-40 are supplementary information required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the

District, assets exceeded liabilities by \$733,403 as of June 30, 2008.

Of the District's net assets (20%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>%</u>
Current assets	\$ 1,010,781	\$ 982,350	28,431	3%
Capital assets, net	1,038,227	1,084,211	(45,984)	-4%
Total assets	<u>2,049,008</u>	<u>2,066,561</u>	<u>(17,553)</u>	-1%
Current liabilities	389,805	282,148	107,657	38%
Long-term debt outstanding	925,800	990,999	(65,199)	-7%
Total liabilities	<u>1,315,605</u>	<u>1,273,147</u>	<u>42,458</u>	3%
Net assets:				
Invested in capital assets, net of related debt	143,227	119,211	24,016	20%
Restricted	324,623	295,518	29,105	10%
Unrestricted	265,553	378,685	(113,132)	-30%
Total net assets	<u>\$ 733,403</u>	<u>\$ 793,414</u>	<u>(60,011)</u>	-8%

- Current liabilities increased primarily due to the ad valorem tax escrow of \$83,327.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$5,803,141. The total cost of all programs and services was \$5,873,934. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008.

	2008	2007	Change	%
Revenues:				
Program revenues:				
Charges for services	\$ 58,087	\$ 72,091	(14,004)	-19.4%
Operating grants and contributions	1,560,703	1,735,403	(174,700)	-10.1%
General revenues:				
Property taxes	799,644	795,917	3,727	0.5%
Grants and other contributions not restricted	3,230,337	2,995,175	235,162	7.9%
Other	154,370	149,730	4,640	3.1%
Total revenues	5,803,141	5,748,316	54,825	1.0%
Expenses:				
Instruction	2,883,610	2,959,810	(76,200)	-2.6%
Support services	2,536,015	2,352,462	183,553	7.8%
Non-instructional	408,523	457,217	(48,694)	-10.7%
Sixteenth section	165	-	165	100.0%
Interest on long-term liabilities	45,621	48,455	(2,834)	-5.8%
Total expenses	5,873,934	5,817,944	55,990	1.0%
Increase in net assets	(70,793)	(69,628)	(1,165)	1.7%
Net assets, July 1	793,414	823,042	(29,628)	-3.6%
Prior period adjustment	10,782	40,000	(29,218)	-73.0%
Net assets, July 1, restated	804,196	863,042	(58,846)	-6.8%
Net assets, June 30	\$ 733,403	\$ 793,414	(60,011)	-7.6%

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

	Total Expenses		Net (Expense) Revenue		Change	%
	2008	2007	2008	2007		
Instruction	\$ 2,883,610	\$ 2,959,810	(2,046,806)	(2,001,659)	(45,147)	2%
Support services	2,536,015	2,352,462	(1,880,288)	(1,661,625)	(218,663)	13%
Non-instructional	408,523	457,217	(282,264)	(298,711)	16,447	-6%
Sixteenth section	165	-	(165)	-	(165)	-100%
Interest on long-term liabilities	45,621	48,455	(45,621)	(48,455)	2,834	-6%
Total expenses	\$ 5,873,934	5,817,944	(4,255,144)	(4,010,450)	(244,694)	6%

- Net cost of governmental activities \$4,255,144 was financed by general revenue, which is made up of primarily property taxes of \$799,644 and state revenue \$3,230,337.
- Investment earnings accounted for \$5,281 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$635,234 a decrease of \$80,251. \$327,098 or 51% of the fund balance constitutes unreserved and undesignated fund balance. The remaining fund balance of \$308,136 or 49% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$108,311, a result of normal operations. The fund balance of the Title I fund showed a decrease of \$10,879 a result of auditor adjustments. The fund balance of Other Governmental Funds showed an increase of \$38,959, due primarily to normal business operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

- Budgeted amounts for expenditures were increased for unexpected costs incurred by the district.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$2,512,956 including school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$23,800 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$1,474,729 and total depreciation expense for the year was \$70,036 resulting in total net assets of \$1,038,227.

	2008	2007	Percentage Change
Land	\$ 36,500	\$ 36,500	0.0%
Buildings	842,682	869,479	-3.1%
Mobile equipment	96,645	101,718	-5.0%
Furniture and equipment	62,400	76,514	-18.4%
Total	<u>\$ 1,038,227</u>	<u>\$ 1,084,211</u>	<u>-4.2%</u>

Additional information of the District's capital assets can be found in Note 5 on page 26 of this report.

Debt Administration. At June 30, 2008, the District had \$925,800 in general obligation bonds and other long-term debt outstanding, of which \$70,000 is due within one year.

	Outstanding Debt 2008	2007	Percentage Change
Limited obligation bonds payable	\$ 895,000	\$ 965,000	-7.3%
Compensated absences payable	30,800	25,999	18.5%
Total	<u>\$ 925,800</u>	<u>\$ 990,999</u>	<u>-6.6%</u>

The District maintains an A+ bond rating.

Additional information of the District's long-term debt can be found in Note 6 beginning on page 27 of this report.

CURRENT ISSUES

The Drew School District is located in the central Delta area on Highway 49 West, in the northern part of Sunflower County. It is situated in the center of four larger towns, all of which serve as major shopping centers. They are Clarksdale, Cleveland, Indianola, and Greenwood. It is composed of 172.5 square miles of farmland. The total population is approximately 7,500. Located in the district are the towns of Rome and Drew. The district also serves the employee population of the Mississippi

Department of Corrections (Parchman).

The three schools of the Drew School District are located in the town of Drew. Drew High School serves grades 9 -12 and has an approximate enrollment of 184. Hunter Middle School serves grades 5-8 and has an approximate enrollment of 173 students. A. W. James Elementary School serves grades K-4 and has an approximate enrollment of 239 students. The total enrollment for the District approximates 636.

The majority of persons in the community have a high school diploma or less. The community is best described as a working class community. Employment opportunities in the District are the Mississippi Department of Corrections at Parchman, the School District, and extensive farming operations which include cotton, rice, beans, and catfish. Some people work at factories and other businesses located in Cleveland, Ruleville, Clarksdale, and Indianola.

Located in the School District are a public library, a National Guard Armory, three parks, approximately twenty churches, and two banks. There are also three institutions of higher learning within 30 miles of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Drew School District, 286 West Park Avenue, Drew, MS 38737.

DREW SCHOOL DISTRICT

FINANCIAL STATEMENTS

DREW SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Government Activities</u>
ASSETS	
Cash and cash equivalents	\$ 721,887
Cash with fiscal agent	26,465
Due from other governments	223,040
Inventories	10,583
Restricted assets	28,806
Capital assets, not being depreciated:	
Land	36,500
Capital assets, net of accumulated depreciation:	
Buildings	842,682
Mobile equipment	96,645
Furniture and equipment	<u>62,400</u>
Total assets	2,049,008
LIABILITIES	
Accounts payable and accrued liabilities	375,547
Interest payable on long-term liabilities	14,258
Long-term liabilities (due within one year)	
Capital-related liabilities	70,000
Long-term liabilities (due beyond one year)	
Capital-related liabilities	825,000
Non-capital liabilities	<u>30,800</u>
Total liabilities	1,315,605
NET ASSETS	
Invested in capital assets, net of related debt	143,227
Restricted net assets:	
Expendable:	
School-based activities	259,982
Debt service	70,879
Unemployment benefits	48,283
Non-expendable:	
Sixteenth section principal	28,806
Unrestricted	<u>182,226</u>
Total net assets	<u>\$ 733,403</u>

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

DREW SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 2,883,610	38,104	798,700	-	(2,046,806)
Support services	2,536,015	-	655,727	-	(1,880,288)
Non-instructional	408,523	19,983	106,276	-	(282,264)
Sixteenth Section	165	-	-	-	(165)
Interest on long-term liabilities	45,621	-	-	-	(45,621)
Total governmental activities	<u>\$ 5,873,934</u>	<u>58,087</u>	<u>1,560,703</u>	<u>-</u>	<u>(4,255,144)</u>
General Revenues:					
Taxes:					
General purpose levies					799,644
Unrestricted grants and contributions:					
State					3,230,337
Unrestricted investment earnings					5,281
Sixteenth section sources					126,714
Other					22,375
Total General Revenues					<u>4,184,351</u>
Change in Net Assets					(70,793)
Net Assets - Beginning					793,414
Prior period adjustment					10,782
Net Assets - Beginning, restated					<u>804,196</u>
Net Assets - Ending					<u>\$ 733,403</u>

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

DREW SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Title I Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash and cash equivalents	\$ 457,093	-	293,600	750,693
Cash with fiscal agents	-	-	26,465	26,465
Due from other governments	56,754	92,018	74,268	223,040
Due from other funds	117,967	-	14,135	132,102
Advances to other funds	2,000	-	-	2,000
Inventories	-	-	10,583	10,583
Total Assets	\$ 633,814	92,018	419,051	1,144,883
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 302,397	42,330	30,478	375,205
Due to other funds	35,064	59,718	39,662	134,444
Total Liabilities	337,461	102,048	70,140	509,649
Fund Balances:				
Reserved for:				
Advances	2,000	-	-	2,000
Inventory	-	-	10,583	10,583
Ad valorem taxes	83,327	-	-	83,327
Unemployment benefits	-	-	48,283	48,283
Debt service	-	-	85,137	85,137
Permanent funds	-	-	28,806	28,806
Undesignated, reported in:				
General fund	211,026	-	-	211,026
Special revenue funds	-	(10,030)	176,102	166,072
Total Fund Balances	296,353	(10,030)	348,911	635,234
Total Liabilities and Fund Balances	\$ 633,814	92,018	419,051	1,144,883

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

DREW SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 635,234
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 \$1,474,729.	1,038,227
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(925,800)
3. Interest payable on long-term debt attributable to the current period is not reported in the funds until its due.	<u>(14,258)</u>
Total Net Assets - Governmental Activities	<u>\$ 733,403</u>

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

DREW SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Title I Fund</u>	<u>Other Governmental Funds</u>	
Revenues:				
Local sources	\$ 856,318	-	29,070	885,388
State sources	3,118,340	-	179,889	3,298,229
Federal sources	40	684,595	808,176	1,492,811
Sixteenth section sources	-	-	126,713	126,713
Total Revenues	<u>3,974,698</u>	<u>684,595</u>	<u>1,143,848</u>	<u>5,803,141</u>
Expenditures:				
Instruction	2,231,438	344,908	302,463	2,878,809
Support services	1,901,324	305,633	283,903	2,490,860
Noninstructional services	982	18,367	377,037	396,386
Sixteenth section	-	-	165	165
Debt service:				
Principal	-	-	70,000	70,000
Interest	-	-	46,646	46,646
Total Expenditures	<u>4,133,744</u>	<u>668,908</u>	<u>1,080,214</u>	<u>5,882,866</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(159,046)</u>	<u>15,687</u>	<u>63,634</u>	<u>(79,725)</u>
Other Financing Sources (Uses):				
Operating transfers in	148,337	-	97,621	245,958
Operating transfers out	<u>(97,622)</u>	<u>(26,566)</u>	<u>(121,770)</u>	<u>(245,958)</u>
Total Other Financing Sources (Uses)	<u>50,715</u>	<u>(26,566)</u>	<u>(24,149)</u>	<u>-</u>
Net Change in Fund Balances	(108,331)	(10,879)	39,485	(79,725)
Fund Balances:				
July 1, 2007	404,684	849	309,952	715,485
Decrease in reserve for inventory	-	-	(526)	(526)
June 30, 2008	<u>\$ 296,353</u>	<u>(10,030)</u>	<u>348,911</u>	<u>635,234</u>

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

DREW SCHOOL DISTRICT

Exhibit D-1Reconciliation 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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (79,725)
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 asset purchases amounted to \$13,270 and the depreciation expense amounted to \$70,036.	(56,766)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.	70,000
3. Interest payable on long-term debt is not recognized as an expenditure in the governmental funds but is recognized on the statement of activities.	1,025
4. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	(526)
5. 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	<u>(4,801)</u>
Change in Net Assets of Governmental Activities	<u>\$ (70,793)</u>

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

DREW SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 7,873
Due from other funds	<u>2,342</u>
Total Assets	<u>\$ 10,215</u>
Liabilities	
Advances from other funds	\$ 2,000
Other liabilities	1,248
Due to student clubs	<u>6,967</u>
Total Liabilities	<u>\$ 10,215</u>

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

DREW SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the School District is considered an "other stand-alone government." The School District is a related organization of, but not a component unit of, the city of Drew since the governing authority of the city selects a majority of the School District's board but does not have financial accountability for the School District.

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

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

DREW SCHOOL DISTRICT

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

Fund Financial Statements:

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

Title I Fund -- This is the School District's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

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

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund -- This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

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.

DREW SCHOOL DISTRICT

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

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

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

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

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

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

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

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

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

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

DREW SCHOOL DISTRICT

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

D. Account Classifications.

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

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

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.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories

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.

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

DREW SCHOOL DISTRICT

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

6. Capital Assets.

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

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

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

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

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

7. Compensated Absences.

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

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

8. Long-term Liabilities

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

DREW SCHOOL DISTRICT

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

reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

9. Fund equity.

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

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

When the school district incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

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

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

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

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

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

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

Reserved for 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 Cash with Fiscal Agents

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

DREW SCHOOL DISTRICT

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

years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program

established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral

against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds were \$750,693 and \$7,873, respectively.

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 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$26,465.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 117,967	35,064
Title I fund	-	59,718
Other Governmental funds	14,135	39,662
Fiduciary funds	2,342	-
Total funds	<u>\$ 134,444</u>	<u>134,444</u>

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end.

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Governmental funds:		
General fund	\$ 2,000	-
Fiduciary Funds	-	2,000
Total Funds	<u>\$ 2,000</u>	<u>2,000</u>

Advances were for cash flow purposes.

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

C. Transfers In/Out.

	Transfer In	Transfers Out
Governmental funds:		
General fund	\$ 148,337	97,622
Title I fund	-	26,566
Other Governmental Funds	97,621	121,770
Total Funds	\$ 245,958	245,958

The primary purpose of the interfund transfers out of the general fund and into the non major funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the non-major funds is the indirect cost allocation from the general fund.

(4) Restricted Assets

The restricted assets represent the cash balance, totaling \$28,806 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

DREW SCHOOL DISTRICT
Notes to 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 7/1/2007	Additions	Retirements	Adjustments **	Balance 6/30/2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 36,500	-	-	-	36,500
Total non-depreciable capital assets	<u>36,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,500</u>
<u>Depreciable capital assets:</u>					
Buildings	1,805,997	-	-	-	1,805,997
Mobile equipment	375,256	13,270	-	(48,930)	339,596
Furniture and equipment	319,003	-	-	11,860	330,863
Total depreciable capital assets	<u>2,500,256</u>	<u>13,270</u>	<u>-</u>	<u>(37,070)</u>	<u>2,476,456</u>
<u>Less accumulated depreciation for:</u>					
Buildings	936,518	26,797	-	-	963,315
Mobile equipment	273,538	13,450	-	(44,037)	242,951
Furniture and equipment	242,489	29,789	-	(3,815)	268,463
Total accumulated depreciation	<u>1,452,545</u>	<u>70,036</u>	<u>-</u>	<u>(47,852)</u>	<u>1,474,729</u>
Total depreciable capital assets, net	<u>1,047,711</u>	<u>(56,766)</u>	<u>-</u>	<u>10,782</u>	<u>1,001,727</u>
Governmental activities capital assets, net	<u>\$ 1,084,211</u>	<u>(56,766)</u>	<u>-</u>	<u>10,782</u>	<u>1,038,227</u>

** Adjustments were made to reconcile to the capital asset inventory for items incorrectly accounted for in prior years.

Depreciation expense was charged to the following governmental functions:

	Amount
Support services	58,425
Non-instructional	<u>11,611</u>
Total depreciation expense	<u>\$ 70,036</u>

DREW SCHOOL DISTRICT

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

(6) Long-term liabilities.

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due Within one year
A. Limited obligation bonds	\$ 965,000	-	(70,000)	895,000	70,000
B. Compensated absences	25,999	4,801	-	30,800	-
Total	<u>\$ 990,999</u>	<u>4,801</u>	<u>(70,000)</u>	<u>925,800</u>	<u>70,000</u>

A. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement	4.80%	3/17/1998	3/17/2018	\$ 1,335,000	\$ 895,000
Total				<u>\$ 1,335,000</u>	<u>\$ 895,000</u>

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

Year Ending June 30	Principal	Interest	Total
2009	70,000	42,420	112,420
2010	75,000	39,200	114,200
2011	80,000	35,750	115,750
2012	85,000	31,990	116,990
2013	85,000	27,994	112,994
2014-2018	<u>500,000</u>	<u>74,400</u>	<u>574,400</u>
Total	<u>\$ 895,000</u>	<u>251,754</u>	<u>1,146,754</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 Debt Retirement Fund.

DREW SCHOOL DISTRICT

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

B. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 11.85% of 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 \$374,673, \$345,930 and \$357,636 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 therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the School District for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2009	\$	124,811
2010		39,311
2011		39,311
2012		39,311
2013		30,911
2014-2018		128,913
2019		15,269
Total	\$	<u>417,837</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

DREW SCHOOL DISTRICT

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

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.

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The School District is a member of the Mississippi Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust covers risks of loss arising from injuries to the School District's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$1,000,000. For a claim exceeding \$1,000,000, MPEWCT has insurance which will pay the excess up to the statutory amount required for the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The District has not had an additional assessment for excess losses incurred by the pool.

(11) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996, creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie School District, Coahoma County School District, Drew School District, North Bolivar School District, Quitman County School District, Mound Bayou School District, Coahoma Agricultural High School District, East Tallahatchie School District and Sunflower County School District.

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

The West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School and the operations of the consortium are included in its financial statements.

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

(12) Prior Period Adjustment

A summary of significant fund equity adjustments is as follows:

Exhibit B- Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Prior period fixed assets were understated due to additions not properly capitalized in the correct period.	<u>\$ 10,782</u>

DREW SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DREW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive Original to Final	(Negative) Final to Actual
Revenues:					
Local sources	\$ 923,597	896,401	856,318	(27,196)	(40,083)
State sources	3,248,685	3,118,340	3,118,340	(130,345)	-
Federal sources	35,000	40	40	(34,960)	-
Total Revenues	<u>4,207,282</u>	<u>4,014,781</u>	<u>3,974,698</u>	<u>(192,501)</u>	<u>(40,083)</u>
Expenditures:					
Instruction	2,226,001	2,263,042	2,231,438	(37,041)	31,604
Support services	1,861,838	1,901,829	1,901,324	(39,991)	505
Noninstructional services	1,000	983	982	17	1
Total Expenditures	<u>4,088,839</u>	<u>4,165,854</u>	<u>4,133,744</u>	<u>(77,015)</u>	<u>32,110</u>
Excess of Revenues Over Expenditures	<u>118,443</u>	<u>(151,073)</u>	<u>(159,046)</u>	<u>(269,516)</u>	<u>(7,973)</u>
Other Financing Sources (Uses):					
Operating transfers in	584,430	599,835	148,337	15,405	(451,498)
Operating transfers out	(462,091)	(550,632)	(97,622)	(88,541)	453,010
Total Other Financing Sources (Uses)	<u>122,339</u>	<u>49,203</u>	<u>50,715</u>	<u>(73,136)</u>	<u>1,512</u>
Net Change in Fund Balances	240,782	(101,870)	(108,331)	(342,652)	(6,461)
Fund Balances:					
July 1, 2007	<u>404,684</u>	<u>404,684</u>	<u>404,684</u>	-	-
June 30, 2008	<u>\$ 645,466</u>	<u>302,814</u>	<u>296,353</u>	<u>(342,652)</u>	<u>(6,461)</u>

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

DREW SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	-	-	-	-
State sources	-	-	-	-	-
Federal sources	660,673	660,673	684,595	-	23,922
Total Revenues	660,673	660,673	684,595	-	23,922
Expenditures:					
Instruction	182,069	298,410	344,908	(116,341)	(46,498)
Support services	384,811	340,881	305,633	43,930	35,248
Noninstructional services	68,256	71,319	18,367	(3,063)	52,952
Total Expenditures	635,136	710,610	668,908	(75,474)	41,702
Excess of Revenues Over Expenditures	25,537	(49,937)	15,687	(75,474)	65,624
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(25,537)	(26,466)	(26,566)	(929)	(100)
Total Other Financing Sources (Uses)	(25,537)	(26,466)	(26,566)	(929)	(100)
Net Change in Fund Balances	-	(76,403)	(10,879)	(76,403)	65,524
Fund Balances:					
July 1, 2007	849	849	849	-	-
June 30, 2008	\$ 849	(75,554)	(10,030)	(76,403)	65,524

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

DREW SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

(3) Individual Fund Disclosures

The negative fund balance noted for Title I is not in violation of state law since the excess results from auditor's adjustments.

DREW SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	112,167
National school lunch program	10.555	246,563
Total child nutrition cluster		<u>358,730</u>
Total U.S. Department of Agriculture		<u>358,730</u>
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	683,890
Safe and drug-free schools and communities – state grants	84.186	6,587
State grants for innovative programs	84.298	3,653
Education technology state grants	84.318	6,113
Teacher quality enhancement grants	84.336	40
Reading first state grants	84.357	171,306
Rural education	84.358	31,441
Improving teacher quality state grants	84.367	97,954
Total		<u>1,000,984</u>
Special education cluster:		
Special education - preschool grants	84.173	1,581
Special education - grants to states	84.027	129,015
Total special education cluster		<u>130,596</u>
Total passed-through Mississippi Department of Education		<u>1,131,580</u>
Total U.S. Department of Education		<u>1,131,580</u>
Total for All Federal Awards		<u>\$ 1,490,310</u>

NOTES TO SCHEDULE

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

DREW SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,436,363	3,104,127	426,266	343,787	562,183
Other	1,446,503	568,968	193,105	13,089	671,341
Total	<u>\$ 5,882,866</u>	<u>3,673,095</u>	<u>619,371</u>	<u>356,876</u>	<u>1,233,524</u>
Total number of students *	<u>597</u>				
Cost per student	<u>\$ 9,854</u>	<u>6,153</u>	<u>1,037</u>	<u>598</u>	<u>2,066</u>

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

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

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

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

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

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

DREW SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

DREW SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 856,318	864,598	865,929	854,549
State sources	3,118,340	2,858,525	2,700,373	2,660,900
Federal sources	40	35,599	35,768	32,395
Total Revenues	3,974,698	3,758,722	3,602,070	3,547,844
Expenditures:				
Instruction	2,231,438	2,268,421	2,114,705	2,040,936
Support services	1,901,324	1,666,573	1,804,298	1,596,659
Noninstructional services	982	13,806	810	945
Debt service:				
Principal	-	-	-	4,076
Interest	-	-	-	537
Total Expenditures	4,133,744	3,948,800	3,919,813	3,643,153
Excess (Deficiency) of Revenues over Expenditures	(159,046)	(190,078)	(317,743)	(95,309)
Other Financing Sources (Uses):				
Operating transfers in	148,337	142,083	268,514	219,418
Operating transfers out	(97,622)	(63,230)	(152,031)	(153,439)
Total Other Financing Sources (Uses)	50,715	78,853	116,483	65,979
Net Change in Fund Balances	(108,331)	(111,225)	(201,260)	(29,330)
Fund Balances:				
Fund Balance, July 1,	404,684	475,909	677,169	720,282
Prior period adjustments	-	40,000	-	(13,783)
Fund Balance, July 1, as restated	404,684	515,909	677,169	706,499
Fund Balance, June 30,	\$ 296,353	404,684	475,909	677,169

*SOURCE - PRIOR YEAR AUDIT REPORTS

DREW SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$ 885,388	896,449	900,769	953,110
State sources	3,298,229	3,042,122	2,881,032	2,833,549
Federal sources	1,492,811	1,688,804	1,625,252	1,602,120
Sixteenth section sources	126,713	120,941	159,493	155,904
Total Revenues	<u>5,803,141</u>	<u>5,748,316</u>	<u>5,566,546</u>	<u>5,544,683</u>
Expenditures:				
Instruction	2,878,809	2,959,810	2,792,978	2,742,499
Support services	2,490,860	2,343,000	2,510,718	2,163,170
Noninstructional services	396,386	435,878	466,557	490,601
Sixteenth section	165	-	35,193	1,772
Debt service:				
Principal	70,000	65,000	60,000	86,011
Interest	46,646	49,695	53,115	59,301
Other	-	-	-	574
Total Expenditures	<u>5,882,866</u>	<u>5,853,383</u>	<u>5,918,561</u>	<u>5,543,928</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(79,725)</u>	<u>(105,067)</u>	<u>(352,015)</u>	<u>755</u>
Other Financing Sources (Uses):				
Operating transfers in	245,958	205,312	420,545	372,857
Operating transfers out	<u>(245,958)</u>	<u>(205,312)</u>	<u>(420,545)</u>	<u>(372,857)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(79,725)</u>	<u>(105,067)</u>	<u>(352,015)</u>	<u>755</u>
Fund Balances:				
Fund Balance, July 1,	715,485	789,212	1,143,493	1,161,403
Prior period adjustments	-	40,000	-	(15,283)
Fund Balance, July 1, as restated	<u>715,485</u>	<u>829,212</u>	<u>1,143,493</u>	<u>1,146,120</u>
Increase (Decrease) in reserve for inventory	<u>(526)</u>	<u>(8,660)</u>	<u>(2,266)</u>	<u>(3,382)</u>
Fund Balance, June 30,	<u>\$ 635,234</u>	<u>715,485</u>	<u>789,212</u>	<u>1,143,493</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

DREW SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS

JOEL B. CUNNINGHAM
CERTIFIED PUBLIC ACCOUNTANT
202 CHURCH STREET
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675
(662) 247-2416

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

Superintendent and School Board
Drew School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Drew School District as of and for the year ended June 30, 2008, which collectively comprise the Drew School District's basic financial statements and have issued our report thereon dated April 15, 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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.

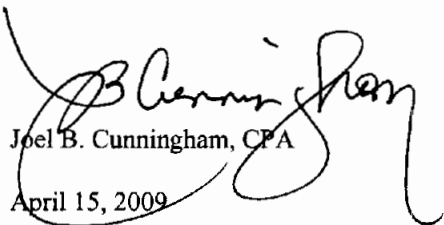
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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



Joel B. Cunningham, CPA
April 15, 2009

JOEL B. CUNNINGHAM
CERTIFIED PUBLIC ACCOUNTANT
202 CHURCH STREET
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675
(662) 247-2416

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

Superintendent and School Board
Drew School District

Compliance

We have audited the compliance of the Drew 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 Schedule of Findings and Questioned Costs. Compliance with the requirement 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, Drew 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

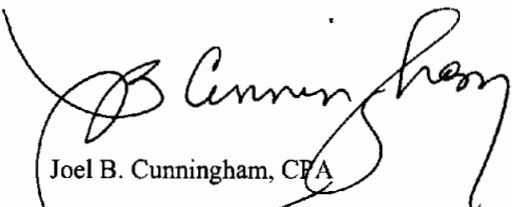
The management of the Drew School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or 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 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 School District's internal control.

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

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



Joel B. Cunningham, CFA
April 15, 2009

DREW SCHOOL DISTRICT

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

JOEL B. CUNNINGHAM
CERTIFIED PUBLIC ACCOUNTANT
202 CHURCH STREET
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675
(662) 247-2416

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

Superintendent and School Board
Drew School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Drew School District as of and for the year ended June 30, 2008, which collectively comprise the Drew School District's basic financial statements and have issued our report thereon dated April 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirement of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$16,051 in classroom supply funds carried over from previous years.

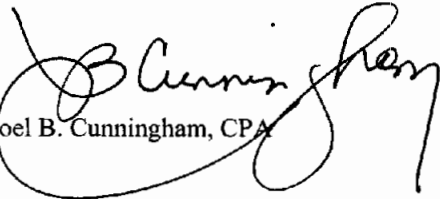
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district.

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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



Joel B. Cunningham, CPA

April 15, 2009

DREW SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____,510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Title I Grants to Local Educational Agencies | |
| | CFDA # | 84.010 |
| b. | Child Nutrition Cluster | |
| | CFDA # | 10.550 |
| | CFDA # | 10.553 |
| | CFDA # | 10.555 |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 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 |

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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