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Jefferson County School District

**Audited Financial Statements
June 30, 2005**

J.E. Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

**Jefferson County School District
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY
AND SUPPLEMENTARY INFORMATION

J.E. FORTENBERRY, III, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY INFORMATION

November 8, 2005
Superintendent and School Board
Jefferson County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2005, which collectively comprise the Jefferson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jefferson County School District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

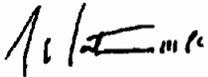
In my opinion the financial statements, referred to above, present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County School District at June 30, 2005, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued our report dated November 8, 2005, on our consideration of the Jefferson County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 8 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County School District's basic financial statements. The 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. 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.



J.E. Fortenberry, III, PC
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The discussion and analysis of Jefferson County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. 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.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$747,928, which represents 24% increase from fiscal year 2004.
- General revenues account for \$9,030,612 in revenue, or 73% of all revenues. This amount was more than the general revenues reported for the year 2004, which consisted of \$8,741,192 in revenue, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,333,543 or 27% of total revenues compared with \$3,357,821 in 2004.
- The District had \$11,616,227 in expenses, an amount that increased when compared with the \$11,596,435 in expenses for the prior year; only \$3,333,543 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,030,612 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,686,914 in revenues and \$7,565,883 in expenditures. In 2004 the General Fund had \$8,141,929 in revenues and \$7,613,670 in expenditures. The General Fund's fund balance increased \$554,425 from the prior fiscal year.
- Capital assets, net of accumulated depreciation, increased by \$257,707. The increase is due primarily to renovations to the elementary school playground and elementary middle roof renovation.
- Long-term debt decreased by \$204,241 due primarily to principal payments made during the year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance

sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 24, respectively.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-41 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 43-47 of this report.

Additionally, a new schedule of instructional, administrative and other expenditures - Governmental Funds have been incorporated to this report right after the schedule of expenditures of federal awards. The schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$3,855,430 as of June 30, 2005.

A portion of the District's net assets (31%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005, and 2004.

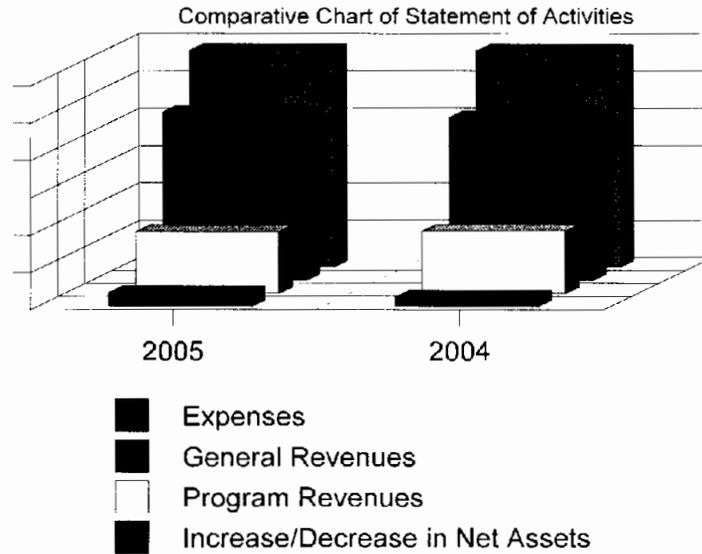
	<u>2005</u>	<u>2004</u>
Current assets	\$ 4,095,727	\$ 3,791,352
Capital assets, net	<u>3,274,993</u>	<u>3,017,286</u>
Total assets	<u><u>7,370,720</u></u>	<u><u>6,808,638</u></u>
Current liabilities	156,323	184,938
Long-term debt outstanding	<u>3,358,967</u>	<u>3,502,167</u>
Total liabilities	<u><u>3,515,290</u></u>	<u><u>3,687,105</u></u>
Net assets:		
Invested in capital assets, net of related debt	1,200,400	861,160
Restricted	1,422,339	1,636,467
Unrestricted	<u>1,232,691</u>	<u>623,906</u>
Total net assets	<u><u>\$ 3,855,430</u></u>	<u><u>\$ 3,121,533</u></u>

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

- The completed construction of \$958,316.
- The principal payments of \$299,033.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$12,364,155. The total cost of all programs and services was \$11,616,227. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$ 3,333,543	\$ 3,357,821
General revenues	<u>9,030,612</u>	<u>8,741,192</u>
Total revenues	<u><u>12,364,155</u></u>	<u><u>12,099,013</u></u>
Expenses:		
Instruction	6,288,035	6,136,278
Support services	3,734,151	3,827,934
Non-instructional	1,385,429	1,421,998
Sixteenth section	33,177	31,545
Interest on long-term liabilities	<u>175,435</u>	<u>178,680</u>
Total expenses	<u><u>11,616,227</u></u>	<u><u>11,596,435</u></u>
Increase in net assets	<u><u>\$ 747,928</u></u>	<u><u>\$ 502,578</u></u>

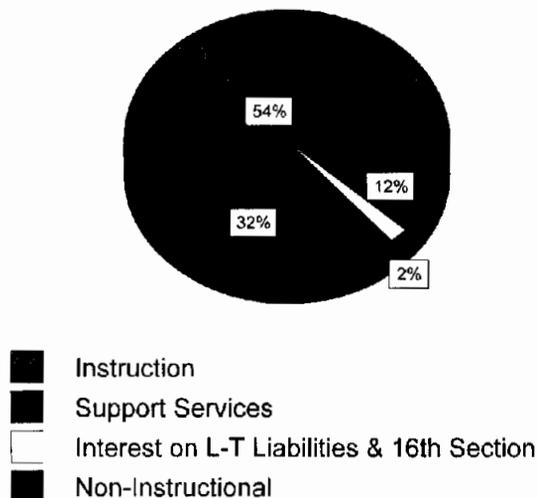


Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated 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 <u>Expenses</u>	Net(Expense) <u>Revenue</u>
Instruction	\$6,288,035	\$ (5,622,242)
Support services	3,734,151	(2,092,017)
Non-instructional	1,385,429	(538,413)
Sixteenth section	33,177	145,423
Interest on long-term liabilities	175,435	(175,435)
Total expenses	<u>\$11,616,227</u>	<u>\$ (8,282,684)</u>

- Net cost of governmental activities (\$8,282,684), was financed by general revenue, which is made up of primarily property taxes \$1,733,903 and sixteenth section sources \$161,058.
- State revenue accounted for \$6,923,849 of funding.

Expense Chart as per Statement of Activities



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 \$3,983,426, an increase of \$332,426. \$3,955,675 or 99.3% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$27,751 or 0.7% 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 increase in fund balance in the General Fund for the fiscal year was \$554,425, before prior period adjustments of \$14,031 to further decrease and to properly restate the beginning fund balance. This increase is primarily a result of properly record of revenue received. The fund balance of Title I - A Basic Fund showed a decrease of \$647. The fund balance of the Sixteenth Section Interest Fund decreased \$19,993 primarily a result of revenue generated from timber sales. Other governmental funds decreased \$201,359 primarily a result of MAEP capital expenditures fund.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from state sources in the General Fund were decreased.

The original budget significantly overstated receipts related to the Mississippi Adequate Education Program (MAEP). The budgeted amounts were revised to more accurately reflect actual MAEP funds received.

- Budgeted amounts for revenue from local sources in the General Fund were increased to reflect the increase in ad valorem receipts during the fiscal year.
- Budgeted amounts for instruction and support services expenditures in the General Fund were increased to reflect the increase in the cost of insurance.
- Budgeted amounts for transfers in and transfers out of the General Fund were revised to more accurately reflect actual transfers made during the fiscal year.
- Budgeted amounts for sixteenth section sources in the 16th Section Interest Fund were increased to reflect the increase in revenue generated from the sale of timber during the fiscal year.
- Budgeted amounts for facilities and acquisition and construction expenditures in the General Fund were increased to reflect expenditures incurred related to the renovation and construction of school facilities.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets were \$6,655,874, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$308,215 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$3,380,881 and total depreciation expense for the year was \$184,891, resulting in total net assets of \$3,274,993.

Additional information of the District's capital assets can be found in Note 4 on page 35 of this report.

Debt Administration. At June 30, 2005, the District had \$3,358,967 in general obligation bonds outstanding and other long-term debt outstanding, of which \$329,058 is due within one year. The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 35 of this report.

CURRENT ISSUES

The Jefferson 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. The District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Jefferson County School District, PO Box 157, Fayette, MS 39069 .

FINANCIAL STATEMENTS

JEFFERSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 3,411,532
<i>Investments</i>	22,356
<i>Due from other governments</i>	334,111
<i>Other receivables, net</i>	8,478
<i>Inventories and prepaid items</i>	27,751
<i>Restricted Assets</i>	291,499
<i>Capital Assets, net</i>	3,274,993
Total Assets	<u>7,370,720</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	73,143
<i>Deferred revenue</i>	30,680
<i>Interest payable on long-term liabilities</i>	52,500
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	252,371
<i>Non-capital related liabilities</i>	76,687
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	1,822,222
<i>Non-capital related liabilities</i>	1,207,687
Total Liabilities	<u>3,515,290</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,200,400
Restricted For:	
School Based Activities	741,338
Debt Service	252,549
Capital Improvements	77,073
Forestry Improvements	104,428
Unemployment Benefits	52,957
Sixteenth Section	
Expendable	6,803
Nonexpendable	187,191
Unrestricted	1,232,691
Total Net Assets	<u>\$ 3,855,430</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities:					Governmental Activities
<i>Instruction</i>	6,288,035	118,335	547,458	--	(5,622,242)
<i>Support services</i>	3,734,151	--	1,558,738	83,396	(2,092,017)
<i>Noninstructional services</i>	1,385,429	16,332	830,684	--	(538,413)
<i>Sixteenth section</i>	33,177	178,600	--	--	145,423
<i>Interest on long-term liabilities</i>	175,435	--	--	--	(175,435)
Total Primary Government	<u>\$ 11,616,227</u>	<u>\$ 313,267</u>	<u>\$ 2,936,880</u>	<u>\$ 83,396</u>	<u>(8,282,684)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					1,651,955
<i>Debt purpose levies</i>					81,948
<i>Unrestricted grants and contributions:</i>					
<i>State</i>					6,923,849
<i>Federal</i>					111,462
<i>Unrestricted investment earnings</i>					92,023
<i>Sixteenth section sources</i>					161,058
<i>Other</i>					8,317
Total general revenues					<u>9,030,612</u>
Change in Net Assets					
Net Assets - Beginning					<u>3,121,533</u>
Prior Period Adjustment					(14,031)
Net Assets - Beginning (Restated)					<u>3,107,502</u>
Net Assets - Ending					<u>\$ 3,855,430</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

	General Fund	Title I A Basic Fund
ASSETS		
<i>Cash and cash equivalents</i>	\$ 1,953,878	\$ 21,462
<i>Investments</i>	--	--
<i>Due from other governments</i>	78,725	20,639
<i>Due from other funds</i>	119,650	--
<i>Inventories and prepaid items</i>	--	--
Total Assets	\$ 2,152,253	\$ 42,101
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 73,143	\$ --
<i>Due to other funds</i>	--	20,639
<i>Deferred revenue</i>	--	21,461
Total Liabilities	73,143	42,100
Fund balances:		
Reserved for:		
<i>Inventory</i>	--	--
Unreserved, undesignated, reported in:		
<i>General fund</i>	2,079,110	--
<i>Special Revenue funds</i>	--	1
<i>Capital projects funds</i>	--	--
<i>Debt service funds</i>	--	--
<i>Permanent funds</i>	--	--
Total Fund Balances	2,079,110	1
Total Liabilities and Fund Balances	\$ 2,152,253	\$ 42,101

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Project Core Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ 453,416	\$ --	\$ 1,274,275	\$ 3,703,031
--	--	22,356	22,356
--	68,872	159,754	327,990
--	--	1,258	120,908
--	--	27,751	27,751
<u>\$ 453,416</u>	<u>\$ 68,872</u>	<u>\$ 1,485,394</u>	<u>\$ 4,202,036</u>
\$ --	\$ --	\$ --	\$ 73,143
1,257	68,872	24,019	114,787
--	--	9,219	30,680
<u>1,257</u>	<u>68,872</u>	<u>33,238</u>	<u>218,610</u>
--	--	27,751	27,751
--	--	--	2,079,110
452,159	--	901,714	1,353,874
--	--	77,073	77,073
--	--	251,624	251,624
--	--	193,994	193,994
<u>452,159</u>	<u>--</u>	<u>1,452,156</u>	<u>3,983,426</u>
<u>\$ 453,416</u>	<u>\$ 68,872</u>	<u>\$ 1,485,394</u>	<u>\$ 4,202,036</u>

JEFFERSON COUNTY SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS*
 JUNE 30, 2005

Total fund balances - governmental funds balance sheet	\$ 3,983,426
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,274,993
Payables for long term debt are not reported in the funds	(329,058)
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,525,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(291,722)
Payables for bond interest which are not due in the current period are not reported in the funds.	(52,500)
Payables for notes which are not due in the current period are not reported in the funds.	(153,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(60,187)
Other long-term assets not available to pay for current-period expenditures are deferred in the funds.	<u>8,478</u>
Net assets of governmental activities - statement of net assets	<u>\$ 3,855,430</u>

The accompanying notes are an integral part of this statement.

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JEFFERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Title I A Basic Fund
Revenue:		
Local sources	\$ 1,847,210	\$ 119
State sources	6,678,179	--
Federal sources	161,525	1,036,145
Sixteenth section sources	--	--
Total revenues	<u>8,686,914</u>	<u>1,036,264</u>
Expenditures:		
Instruction	4,731,935	450,452
Support services	2,807,356	498,859
Noninstructional services	--	87,600
Sixteenth section	--	--
Facilities acquisition and construction	26,592	--
Debt service:		
Principal	--	--
Interest	--	--
Total expenditures	<u>7,565,883</u>	<u>1,036,911</u>
Excess (deficiency) of revenues (over) expenditures	1,121,031	(647)
Other financing sources (uses):		
Inception of capital leases	11,841	--
Operating transfers in	1,130,053	--
Operating transfers out	(1,707,210)	--
Other financing uses	(1,290)	--
Total other financing sources (uses)	<u>(566,606)</u>	<u>--</u>
Net change in fund balance	554,425	(647)
Fund Balances:		
July 1, 2004	1,538,716	648
Prior period adjustments	(14,031)	--
July 1, 2004 as restated	<u>1,524,685</u>	<u>648</u>
Increase (decrease) in reserve for inventory	--	--
June 30, 2005	<u>\$ 2,079,110</u>	<u>\$ 1</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Project Core Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,489	\$ --	\$ 112,925	\$ 1,974,743
--	--	630,165	7,308,344
--	68,872	1,480,701	2,747,243
290,518	--	40,662	331,180
<u>305,007</u>	<u>68,872</u>	<u>2,264,453</u>	<u>12,361,510</u>
--	68,872	1,215,881	6,467,140
--	--	479,478	3,785,693
--	--	870,232	957,832
--	--	33,177	33,177
--	--	431,968	458,560
--	--	299,033	299,033
--	--	175,728	175,728
<u>--</u>	<u>68,872</u>	<u>3,505,497</u>	<u>12,177,163</u>
305,007	--	(1,241,044)	184,347
--	--	138,159	150,000
--	--	1,169,141	2,299,194
(325,000)	--	(266,984)	(2,299,194)
--	--	(631)	(1,921)
<u>(325,000)</u>	<u>--</u>	<u>1,039,685</u>	<u>148,079</u>
(19,993)	--	(201,359)	332,426
472,152	--	1,648,322	3,659,838
--	--	--	(14,031)
<u>472,152</u>	<u>--</u>	<u>1,648,322</u>	<u>3,645,807</u>
--	--	5,193	5,193
<u>\$ 452,159</u>	<u>\$ --</u>	<u>\$ 1,452,156</u>	<u>\$ 3,983,426</u>

JEFFERSON COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005*

Net change in fund balances - total governmental funds	\$ 332,426
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	458,560
The depreciation of capital assets used in governmental activities is not reported in the funds.	(184,891)
The gain or loss on the sale of capital assets is not reported in the funds.	(15,962)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	8,478
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	180,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	52,033
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	67,000
Increase in inventory is a direct adjustment to Fund Balance in funds but not in SOA	5,193
(Increase) decrease in accrued interest from beginning of period to end of period	924
Proceeds of long term liabilities are reported in the funds but not in SOA	(150,000)
Compensated absences reported as amount earned in SOA but as amount paid in the funds.	(5,833)
Change in net assets of governmental activities - statement of activities	<u>\$ 747,928</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

ASSETS	Agency Funds
Assets:	
<i>Cash and other deposits</i>	\$ 628,694
Total Assets	\$ 628,694
LIABILITIES	
Liabilities:	
<i>Accounts Payable & Accrued Liabilities</i>	\$ 583,099
<i>Due to student clubs</i>	39,474
<i>Due to other funds</i>	6,121
Total Liabilities	\$ 628,694

The accompanying notes are an integral part of this statement.

Jefferson County School District

Notes to the Financial Statements
June 30, 2005

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets,

Jefferson County School District

Notes to the Financial Statements For the Year Ended June 30, 2005

liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

Title I - A Basic Fund - This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structured project.

Sixteenth Section Interest Fund - The Sixteenth Section Interest Funds are funds used to account for maintaining and improving sixteenth section lands. Only the earnings, and not the principal, may be used.

Project Core Fund - This fund is used to account for payroll expenditures only.

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

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Jefferson County School District

Notes to the Financial Statements For the Year Ended June 30, 2005

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

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

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

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

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

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

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

L. Equity Classifications.

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

Reserved for 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.

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

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

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(2) Cash and Cash Equivalents and Investments.

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is now 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 Depository Insurance Corporation.

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$3,703,031, and \$628,694 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$3,411,532 and Restricted Assets \$291,499. The Restricted Assets represents the cash balance of the MAEP funds and the 16th Section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that supports the district's programs. The bank balance was \$4,933,839.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the district's bank balance of \$4,933,839 was exposed to custodial credit risk.

Investments.

As of June 30, 2005, the district had the following investments in the Hancock Bank's Trust Department investment pool.

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

Investment Type	Maturities (in years)	Fair Value	Rating
Treasury Securities Money Market Funds	N/A	\$ 22,356	A
Total Investments		<u>\$ 22,356</u>	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover the value of its investments. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2005, \$22,356 of the district's bank balance was exposed to custodial credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2005, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Hancock Horizon Treasury Sec. Money Market CI A	22,356	100%
	<u>\$ 22,356</u>	

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

Due From/To Other Funds:

	Due From	Due To
Major funds:		
General fund	\$ 119,650	0
Other Major Funds		

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

	<u>Due From</u>	<u>Due To</u>
Title I - A Basic	0	20,639
Sixteenth Section Interest Fund	0	1,257
Project Core Fund	0	68,872
Non-major Funds	1,258	24,019
Agency Funds	0	6,121
Total Funds	<u>\$ 120,908</u>	<u>120,908</u>

The purpose of the Due From/To other funds balances was to provide funds for operating purposes. All balances are expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 1,130,053	1,707,210
Other major funds		
Sixteenth Section Interest Funds	0	325,000
Non-major Funds	1,169,141	266,984
Total Funds	<u>\$ 2,299,194</u>	<u>2,299,194</u>

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

(4) Capital Assets.

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

	<u>Balance 7-1-2004</u>	<u>Addition</u>	<u>Retirement</u>	<u>Completed Construction</u>	<u>Balance 6-30-2005</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 19,828	0	0	0	19,828
Construction in Progress	616,838	341,478	0	(958,316)	0
Total non-depreciable capital assets	636,666	341,478	0	(958,316)	19,828
<u>Depreciable capital assets:</u>					
Buildings	3,918,323	0	0	0	3,918,323
Building Improvements	0	0	0	720,330	720,330
Improvements other than buildings	62,159	0	0	99,827	161,986

Jefferson County School District

Notes to the Financial Statements For the Year Ended June 30, 2005

Mobile equipment	1,009,075	56,391	115,000	0	950,466
Furniture and equipment	361,693	40,563	35,345	0	366,911
Leased property under capital leases	359,743	20,128	0	138,159	518,030
Total depreciable capital assets	5,710,993	117,082	150,345	958,316	6,636,046
Less accumulated depreciation for:					
Buildings	2,107,528	29,829	0	0	2,137,357
Improvements other than buildings	49,727	32,806	0	0	82,533
Mobile equipment	770,683	44,497	103,500	0	711,680
Furniture and equipment	302,649	34,720	30,883	0	306,486
Leased property under capital leases	99,786	43,039	0	0	142,825
Total accumulated depreciation	3,330,373	184,891	134,383	0	3,380,881
Total depreciable capital assets, net	2,380,620	(67,809)	15,962	958,316	3,255,165
Governmental activities capital assets, net	3,017,286	273,669	15,962	0	3,274,993

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 129,424
Support services	36,978
Non-Instructional	18,489
Total depreciation expense	\$ 184,891

(5) Long-term liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
A. General Obligation Bonds	\$ 325,000	0	45,000	0	280,000	50,000
B. Three mill notes payable	291,000	0	67,000	0	224,000	71,000
C. Limited Obligation Bonds	2,570,000	0	135,000	0	2,435,000	140,000
D. Obligations Under Capital Leases	255,126	150,000	52,033	0	353,093	61,371
E. Compensated Absences	61,041	5,833	0	0	66,874	6,687
Total	3,502,167	155,833	299,033	0	3,358,967	329,058

A. General Obligation Bonds.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
General Obligation Bonds, Series 1990	variable	02-01-90	02-01-10	700,000	280,000
Total				\$ 700,000	280,000

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

	Year Ending June 30	Principal	Interest	Total
2006	\$	50,000	20,415	70,415
2007		50,000	16,865	66,865
2008		55,000	13,265	68,265
2009		60,000	9,250	69,250
2010		65,000	4,810	69,810
Total	\$	<u>280,000</u>	<u>64,605</u>	<u>344,605</u>

This debt will be repaid out of the Debt Service Fund.

B. Three mill notes payable.

Description	Interest Rate	Issue Date	Maturity Date	Issued	Outstanding
Limited Tax Notes					
Series 1997	5.30%	08-19-97	08-19-07	630,000	224,000
Total				<u>\$ 630,000</u>	<u>224,000</u>

	Year Ending June 30	Principal	Interest	Total
2006		71,000	11,872	82,872
2007		75,000	8,109	83,109
2008		<u>78,000</u>	<u>4,134</u>	<u>82,134</u>
Total		<u>\$ 224,000</u>	<u>24,115</u>	<u>248,115</u>

This debt will be retired from the Debt Service Fund.

C. Limited obligations bonds.

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

Description	Interest Rate	Issue Date	Maturity Date	Issued	Outstanding
State Aid Capital					
Improvement Bonds	variable	04-21-98	04-01-18	3,060,000	2,435,000

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

Total \$ 3,060,000 2,435,000

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 140,000	113,848	253,848
2007	150,000	107,828	257,828
2008	155,000	101,228	256,228
2009	160,000	94,408	254,408
2010	170,000	87,208	257,208
2011-2015	965,000	309,905	1,274,905
2016-2018	695,000	67,920	762,920
Total	\$ <u>2,435,000</u>	<u>882,345</u>	<u>3,317,345</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-107 of the Mississippi 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.

D. Obligation under capital leases.

The school district has entered into two lease agreements that qualify as capital leases for accounting purposes. Title is held in the school district's name during the lease period and upon payment of the lease obligation.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 61,371	14,682	76,053
2007	59,623	11,938	71,561
2008	57,692	9,376	67,068
2009	60,265	6,803	67,068
2010	38,692	4,115	42,807
2011-2015	75,450	42,213	117,663
Total	\$ <u>353,093</u>	<u>89,127</u>	<u>442,220</u>

Jefferson County School District

Notes to the Financial Statements For the Year Ended June 30, 2005

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

E. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% 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, 2005, 2004 and 2003 were \$662,481, \$645,341, and \$598,937, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except fore 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.

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

Year Ending June 30	Amount
2006	\$ 104,627
2007	90,670
2008	29,397
2009	<u>1</u>
Total	\$ <u>224,695</u>

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately ninety school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South Bank in Jackson, Mississippi. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(9) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with Jefferson County School District nor the Jefferson County School

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2005

District itself filed lists of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships Jefferson County School District shares with other school districts, Jefferson County School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Jefferson County School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Jefferson County School District may be entitled to a portion of the sixteenth section revenues the other school district(s) received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

(10) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 To properly record revenue received.	\$ (14,031)
Total	\$ <u>(14,031)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	To properly record revenue received.	(14,031)
Total		\$ <u>(14,031)</u>

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Exhibit 1

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,851,264	1,733,940	1,847,210	(117,324)	113,270
State sources	6,678,179	6,246,918	6,678,179	(431,261)	431,261
Federal sources	161,525	85,117	161,525	(76,408)	76,408
Total Revenues	8,690,968	8,065,975	8,686,914	(624,993)	620,939
Expenditures:					
Instruction	4,731,938	4,758,410	4,731,935	26,472	(26,475)
Support services	2,807,354	2,775,746	2,807,356	(31,608)	31,610
Non-Instructional	-	-	-	-	-
Facilities acquisition and construction	26,592	79,526	26,592	52,934	(52,934)
Other	-	-	-	-	-
Total Expenditures	7,565,884	7,613,682	7,565,883	47,798	(47,799)
Excess (Deficiency) of Revenues Over Expenditures	1,125,084	452,293	1,121,031	(672,791)	668,738
Other Financing Sources (Uses):					
Inception of Leases	11,841		11,841	(11,841)	-
Operating transfers in	1,130,053	889,692	1,130,053	(240,361)	240,361
Operating transfers out	(1,707,211)	(1,666,890)	(1,707,210)	40,321	(40,320)
Operating transfers out	(1,290)	(1,282)	(1,290)	8	(8)
Total Other Financing Sources (Uses)	(566,607)	(778,480)	(566,606)	(211,873)	211,874
Net Change in Fund Balances	558,477	(326,187)	554,425	(884,664)	880,612
Fund Balances:					
July 1, 2004	2,079,108	1,527,785	1,538,716	(551,323)	10,931
Prior period adjustments (Note)	-	-	(14,031)	-	(14,031)
July 1, 2004, as restated	2,079,108	1,527,785	1,524,685	(551,323)	(3,100)
June 30, 2005	\$ 2,637,585	1,201,598	2,079,110	(1,435,987)	877,512

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

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Exhibit 2

Title I - A Basic

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,449	1,449	119	-	
Federal sources	1,092,337	1,092,337	1,036,145	(0)	(56,192)
Total Revenues	1,093,786	1,093,786	1,036,264	(0)	(57,522)
Expenditures:					
Instruction	615,840	615,840	450,452	0	(165,388)
Support Services	398,584	398,584	498,859	0	100,275
Non-Instructional	84,259	-	-	(84,259)	-
Other	-	84,259	87,600	-	-
Total Expenditures	1,098,683	1,098,683	1,036,911	0	(61,772)
Excess (Deficiency) of Revenues Over Expenditures	(4,896)	(4,897)	(647)	(1)	4,250
Other Financing Sources (Uses):					
Operating Transfers In	9,914	9,914	-		
Operating Transfers Out	(5,018)	(5,018)	-	0	5,018
Total Other Financing Sources (Uses)	4,896	4,896	-	0	4,896
Net Change in Fund Balances	(0)	(1)	(647)	(1)	(646)
Fund Balances:					
July 1, 2004	11,363	-	648	(11,363)	-
Prior period adjustments (Note)				-	-
July 1, 2004, as restated	11,363	-	648	(11,363)	648
June 30, 2005	\$ 11,363	(1)	1	(11,364)	2

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

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule
 Sixteenth Section Interest Funds
 For the Year Ended June 30, 2005

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$ 1,785	0	14,489	(1,785)	14,489
Sixteenth section sources	441,824	441,824	290,518	-	(151,306)
Total Revenues	443,609	441,824	305,007	(1,785)	(136,817)
Expenditures:					
Sixteenth section	0	5,500	0	(5,500)	5,500
Total Expenditures	0	5,500	0	(5,500)	5,500
Excess (Deficiency) of Revenues Over Expenditures	443,609	436,324	305,007	(7,285)	(131,317)
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	(325,000)	-	325,000
Total Other Financing Sources (Uses)	-	-	(325,000)	-	325,000
Net Change in Fund Balances	443,609	436,324	(19,993)	(7,285)	(456,317)
Fund Balances:					
July 1, 2004	0	472,152	472,152	472,152	-
Prior period adjustments (Note)				-	-
July 1, 2004 as restated	0	472,152	472,152	472,152	-
June 30, 2005	\$ 443,609	908,476	452,159	464,867	(456,317)

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

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule
 Project Core Fund
 For the Year Ended June 30, 2005

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	-	-	-	-
Federal sources	-	66,076	68,872	66,076	2,796
Total Revenues	-	66,076	68,872	66,076	2,796
Expenditures:					
Instruction	66,076	66,076	68,872	-	(2,796)
Total Expenditures	66,076	66,076	68,872	-	(2,796)
Excess (Deficiency) of Revenues Over Expenditures	(66,076)	(0)	-	66,076	0
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(66,076)	(0)	-	66,076	0
Fund Balances:					
July 1, 2004	-	-	-	-	-
Prior period adjustments (Note)	-	-	-	-	-
July 1, 2004 as restated	-	-	-	-	-
June 30, 2005	\$ (66,076)	(0)	-	66,076	0

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

Jefferson County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents 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 the date established by the Mississippi Department of Education. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

Jefferson County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$45,984
Child Nutrition Cluster:		
School Breakfast Program	10.553	258,911
National School Lunch Program	10.555	510,936
Summer Food Service Program for Children	10.559	10,927
Total Child Nutrition cluster		<u>780,774</u>
Total passed-through the MDE		<u>780,774</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>826,758</u>
U. S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	50,063
Total Other Federal Assistance		<u>50,063</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,036,145
Vocational Education-Basic Grants to States	84.048	33,333
Safe and Drug-Free Schools and Communities - State Grants	84.186	17,337
State Grants for Innovative Programs	84.298	6,532
Education Technology - state grants	84.318	48,852
Special Education Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325D	68,872
Rural Education Achievement Programs	84.358	52,515
Improving Teacher Quality-State Grants	84.367	190,086
Total		<u>1,453,672</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	283,313
Special Education - Preschool Grants	84.173	16,071
Total Special Education Cluster		<u>299,384</u>
Total passed-through the MDE		<u>1,753,056</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,753,056</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$2,629,877</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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.

Jefferson County School District

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2005

Schedule 2

Expenditures	Total	Instruction	Administrative	Other
Salaries and fringe benefits	\$ 8,982,311	6,119,569	824,975	2,037,767
Other	3,194,852	347,571	261,479	2,585,801
Total	\$ 12,177,163	6,467,140	1,086,454	4,623,568
Total number of students *	1,501			
Cost per student	\$ 8,113	4,309	724	3,080

Instruction - 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 functional codes)

Administrative - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

Other - includes all expenditure functions not included in Instruction or Administrative

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

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

November 8, 2005
Superintendent and School Board
Jefferson County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2005, which collectively comprise Jefferson County School District's basic financial statements and have issued my report thereon dated November 8, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that I have reported to management of the school district in a separate letter dated November 8, 2005, which is included in this report.

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.



J.E. Fortenberry, III, PC
Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

November 8, 2005
Superintendent and School Board
Jefferson County School District

Compliance

I have audited the compliance of the Jefferson 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, 2005. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the Jefferson 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, 2005.

Internal Control Over Compliance

The management of the Jefferson 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 my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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.



J.E. Fortenberry, III, PC
Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

November 8, 2005
Superintendent and School Board
Jefferson County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2005, which collectively comprise Jefferson County School District's basic financial statements and have issued my report thereon dated November 8, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33 (3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$40,953.68 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed some instances of noncompliance with other state laws and regulations. My findings and recommendations and your response are as follows:

1. Finding

The district failed to share sixteenth section revenue with school districts where townships land areas are shared.

Recommendation

The district should comply with Section 29-3-119, Miss. Code Ann. (1972), which requires that sixteenth section revenues be properly divided with school districts sharing land areas within a township(s).

School District's Response

The recommendation of the auditor has been noted. The district will comply with Section 29-3-119, Miss. Code Ann. (1972), to assure that the revenue from all sixteenth section sources will be properly divided with school districts sharing land areas within a township(s).

2. Finding

During my examination of the district's budget I found that a comparison of actual functional expenditures with the final amended budget, as approved by the school board for fiscal year ended June 30, 2005, indicated that expenditures exceeded resources available in the Project Core Fund (Special Revenue Fund-Fund 2935).

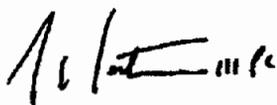
Recommendation

The district should comply with Section 37-61-19, Miss. Code Ann. (1972), which requires expenditures be limited by fund to budgeted amounts. When expenditures exceed budgeted amounts, revision of the budget is allowed under Section 37-61-21, Miss. Code Ann. (1972).

School District's Response

The district will comply with Section 37-61-19, Miss. Code Ann. (1972), to assure that expenditures be limited by fund to budgeted amounts.

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.



J.E. Fortenberry, III, PC
Certified Public Accountant

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Jefferson County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2005

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. Reportable conditions 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 weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
CFDA# 10.559
 - b. Title I Grants to Local Educational Agencies.
CFDA# 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? No.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? Yes.

Section2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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