



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Jefferson County School District
Audited Financial Statements
June 30, 2007



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

FINANCIAL AUDIT REPORT

**Jefferson County School District
TABLE OF CONTENTS**

	PAGE
FINANCIAL AUDIT REPORT	
Independent Auditor's Report on the Basic Financial Statements Accompanied by Required Supplemental Information and Supplemental Information	4
Management's Discussion and Analysis	7
FINANCIAL STATEMENTS	
Exhibit A - Government-Wide Statement of Net Assets	17
Exhibit B - Government-Wide Statement of Activities	18
Exhibit C - Balance Sheet - Governmental Funds	19
Exhibit C-1 - Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	20
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	21
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues Expenditures and Changes in Fund Balances to the Statement of Activities ...	22
Exhibit E - Statement of Net Assets - Fiduciary Funds	23
Notes to the Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	41
Notes to the Required Supplementary Information	46
SUPPLEMENTAL INFORMATION	
Schedule 1 - Schedule of Expenditures of Federal Awards	48
Schedule 2 - Schedule of Instructional, Administrative, and Other Expenditures- Governmental Funds	49
INTERNAL CONTROL AND COMPLIANCE REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
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	53
Independent Auditor's Report on Compliance with State Laws and Regulations	55
FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP	
Schedule of Findings and Questioned Costs	58

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**

Superintendent and School Board
Jefferson County School District

I have audited the accompanying 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, 2007, 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 opinions on these 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 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 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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County School District, as of June 30, 2007, 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*, I have also issued my report dated March 26, 2008 on my consideration of the Jefferson County School District's internal control over financial reporting and my 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 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 considered in assessing the results of my audit.

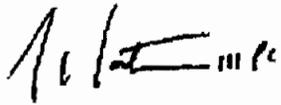
The Management's Discussion and Analysis on pages 6 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 41 and 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

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

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



J.E. Fortenberry, III, PC
March 26, 2008

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$209,577 representing a 5% increase from fiscal year 2006. This includes a prior period adjustment of \$16,093.
- General revenues accounts for \$9,312,808, or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,378,882, 27% of total revenues compared to \$3,835,367 or 30% of the total revenues in the prior fiscal year.
- The district had \$12,482,113 in expenses, an amount that increased slightly when compared with the \$12,266,912 in expenses for the prior fiscal year. Of these expenses, only \$3,378,882 were offset by program specific charges for services, grants, and contributions. General revenues listed above were adequate to provide for the remainder of expenses incurred in fiscal year 2007.
- Among major funds, the General Fund had \$9,019,978 in revenues and \$8,377,890 in expenditures for the current fiscal year. After net other financing uses of \$917,267 due to operating transfers out made by the General Fund to other governmental funds and a prior period adjustment of \$23,515 made, the net change in fund balance was a decrease of \$275,178. This decrease is due mainly to a year-end transfer out to the Vocational Education fund to cover normal operating expenses incurred.
- Capital assets, net of accumulated depreciation, decreased by \$57,348 due primarily to depreciation expense on capital assets incurred in the current fiscal year.
- Long-term debt decreased by \$323,078 due primarily to principal payments made during the fiscal year on existing long-term debt.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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 and other expenses on long-term liabilities.

The government-wide financial statements can be found on pages 17 and 18 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 financial 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 22, respectively.

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

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 23.

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 24 through 40 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 special revenue fund. This required supplementary information can be found on pages 41 through 46 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 48 and 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 \$4,744,255 as of June 30, 2007.

The District's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$1,715,470 of the District's net assets (36%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases), 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. Restricted net assets comprise \$1,901,624 (40%) of the District's net assets. Expendable activities such as school-based activities, debt service, capital improvements, forestry improvements and unemployment benefits account for a majority of restricted net asset activity while non-expendable activity such as Sixteenth Section investment activity accounts for the remainder. Unrestricted net assets totaling \$1,127,161 (24%) account for the final portion of the District's net assets.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and 2006:

	<u>Net Assets</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
<u>Assets</u>			
Current assets	\$ 4,105,147	4,089,178	0.4%
Other assets	240,347	329,632	-27.1%
Capital assets, net	<u>3,278,069</u>	<u>3,335,417</u>	-1.7%
Total assets	<u>7,623,563</u>	<u>7,754,227</u>	-1.7%
<u>Liabilities</u>			
Current liabilities	161,499	194,755	-17.1%
Long-term liabilities	<u>2,717,809</u>	<u>3,040,887</u>	-10.6%
Total liabilities	<u>2,879,308</u>	<u>3,235,642</u>	-11.0%
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	1,715,470	1,513,195	13.4%
Restricted	1,901,624	1,143,273	66.3%
Unrestricted	<u>1,127,161</u>	<u>1,862,117</u>	-39.5%
Total Net Assets	<u>\$ 4,744,255</u>	<u>4,518,585</u>	5.0%

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

- Long-term debt decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due to principal reduction on existing long-term debt primarily.
- Restricted net assets increased significantly from fiscal year 2006 while conversely decreasing unrestricted net assets due to the reclassification of expendable Sixteenth Section interest earnings as a restricted net asset.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$12,691,690. The total cost of all programs and services was \$12,482,113. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007, and 2006, respectively.

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Revenues			
<u>Program Revenues</u>			
Charges for services	\$ 200,852	199,329	0.8%
Operating Grants and Contributions	3,178,030	3,559,814	-10.7%
Capital Grants and Contributions		76,224	-100.0%
Total Program Revenues	<u>3,378,882</u>	<u>3,835,367</u>	-11.9%
<u>General Revenues</u>			
Property Taxes	1,788,227	1,846,308	-3.1%
Unrestricted Grants and Contributions	7,279,557	7,090,789	2.7%
Other	<u>245,024</u>	<u>157,603</u>	55.5%
Total General Revenues	<u>9,312,808</u>	<u>9,094,700</u>	2.4%
Total revenues	<u><u>12,691,690</u></u>	<u><u>12,930,067</u></u>	-1.8%
Expenses			
Instruction	7,018,382	6,754,472	3.9%
Support services	4,583,619	4,537,793	1.0%
Non-instructional	708,149	792,053	-10.6%
Sixteenth section	32,903	25,070	31.2%
Interest on long-term liabilities	<u>139,060</u>	<u>157,524</u>	-11.7%
Total expenses	<u>12,482,113</u>	<u>12,266,912</u>	1.8%
Increase (Decrease) in net assets	<u>209,577</u>	<u>663,155</u>	-68.4%
Net Assets, July 1	4,518,585	3,855,430	17.2%
Prior Period Adjustment	<u>16,093</u>		
Net Assets, Restated	<u>4,534,678</u>	3,855,430	

Net Assets, June 30

\$ 4,744,255 4,518,585

5.0%

The following is a significant current year transaction having an impact on the Statement of Net Assets:

- Program revenues decreased from the previous fiscal year due primarily to the closeout of the Displaced Student grant program resulting from Hurricane Katrina. The District received \$318,000 in funding during fiscal year 2006 and received none in the current fiscal year.

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional 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 contribution of the State and District's taxpayers by each of these functions.

	2007	2006	2007 Net (Expense) Revenue	2006 Net (Expense) Revenue
Instruction	\$ 7,018,382	6,754,472	(5,388,801)	(4,999,478)
Support Services	4,583,619	4,537,793	(3,665,965)	(3,306,269)
Non-Instructional	708,149	792,053	114,108	(3,455)
Sixteenth section	32,903	25,070	(23,513)	35,181
Interest on Long-Term Liabilities	<u>139,060</u>	<u>157,524</u>	<u>(139,060)</u>	<u>(157,524)</u>
	\$ <u>12,482,113</u>	<u>12,266,912</u>	<u>(9,102,231)</u>	<u>(8,431,545)</u>

The net cost of governmental activities for fiscal year 2007 in the amount of \$9,103,231 was financed by general revenue made up primarily of property taxes totaling \$1,788,227 and state revenue of \$7,180,111. Investment earnings, primarily bank interest earned covered the remaining expenditures.

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

\$4,221,473, a decrease of \$93,788. \$3,669,513 or 87% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. Federal project and other grant funds received must be used to meet specific objectives as set forth in the grant application. The remaining fund balance of \$551,960 or 13% 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 \$275,179 due primarily to increased instruction and support services expenditures.

BUDGETARY HIGHLIGHTS

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

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

Budget amounts for revenue from state sources in the General Fund were increased primarily due to the final Adequate Education allocation, which was budgeted originally at an amount less than the tentative allocation as recommended by the Mississippi Department of Education as a safeguard for possible state funding cuts mid-year. Budgeted amounts for instruction and support services expenditures were increased due primarily to teacher salary increases and non-instructional employee wage increases.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$6,889,445, including land, school buildings, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents an increase of \$110,818 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$3,611,376 and total depreciation expense for the year was \$181,911, resulting in total net capital assets of

\$3,278,069.

	Capital Assets, Net of Depreciation		Percentage
	2007	2006	Change
Land	\$ 19,828	19,828	0.0%
Buildings	1,721,308	1,751,137	-1.7%
Building improvements	633,891	662,704	-4.3%
Improvements other than buildings	100,280	104,273	-3.8%
Mobile equipment	459,993	397,754	15.6%
Other furniture and equipment	50,617	67,556	-25.1%
Leased property under capital leases	292,152	332,165	-12.1%
	<u>\$ 3,278,069</u>	<u>3,335,417</u>	<u>-1.7%</u>

Additional information of the District's capital assets can be found in Note 4 on page 353 of this report.

Debt Administration. At June 30, 2007, the District had \$2,717,809 in general and limited obligation bonds and other long-term debt outstanding, of which \$349,828 is due within one year. During the fiscal year, the District made principal payments in the amount of \$334,623 on existing long-term debt.

	Outstanding Debt		Percentage
	2007	2006	Change
General obligation bonds payable	\$ 180,000	230,000	-21.7%
Three mill ten-year notes payable	78,000	153,000	-49.0%
Limited obligation bonds payable	2,145,000	2,295,000	-6.5%
Obligations under capital leases	232,099	291,722	-20.4%
Compensated absences payable	82,710	71,165	16.2%
	<u>\$ 2,717,809</u>	<u>3,040,887</u>	<u>-10.6%</u>

Additional information of the District's long-term debt can be found in Note 5 on page 36 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 has not increased or decreased the millage rate significantly over the past several years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Student enrollment figures indicate no significant increase or decrease from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Finance Office of the Jefferson County School District, P.O. Box 157, Fayette, MS 39069.

FINANCIAL STATEMENTS

Jefferson County School District
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,696,545
Due from other governments	387,324
Inventories and prepaid items	21,278
Restricted assets	240,347
Capital assets, non-depreciable:	
Land	19,828
Capital assets, net of accumulated depreciation:	
Buildings	1,721,308
Building improvements	633,891
Improvements other than buildings	100,280
Mobile equipment	459,993
Furniture and equipment	50,617
Leased property under capital leases	<u>292,152</u>
Total Assets	<u><u>7,623,563</u></u>
Liabilities	
Accounts payable and accrued liabilities	96,785
Due to other governments	3,663
Unearned revenue	23,573
Interest payable on long-term liabilities	37,478
Long-term liabilities, due within one year	
Capital related liabilities	268,192
Non-capital related liabilities	81,636
Long-term liabilities, due beyond one year	
Capital related liabilities	1,294,407
Non-capital related liabilities	<u>1,073,574</u>
Total Liabilities	<u><u>2,879,308</u></u>
Net Assets	
Invested in capital assets, net of related debt	1,715,470
Restricted net assets:	
School-based activities	639,896
Debt service	144,319
Capital improvements	63,490
Forestry improvements	61,223
Unemployment benefits	36,981
Sixteenth section:	
Expendable	768,524
Nonexpendable	187,191
Unrestricted	<u>1,127,161</u>
Total Net Assets	<u><u>\$ 4,744,255</u></u>

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

Jefferson County School District
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction	\$ 7,018,382	127,766	1,501,815	(5,388,801)
Support services	4,583,619		917,654	(3,665,965)
Non-instructional	708,149	63,696	758,561	114,108
Sixteenth section	32,903	9,390		(23,513)
Interest on long-term liabilities	139,060			(139,060)
Total Governmental Activities	\$ 12,482,113	200,852	3,178,030	(9,103,231)
General Revenues:				
Taxes:				
				1,723,525
				64,702
Unrestricted grants and contributions:				
				7,180,111
				99,446
				61,048
				145,166
				38,810
				9,312,808
				Change in Net Assets 209,577
				Net Assets - Beginning 4,518,585
				Prior period adjustment 16,093
				Net Assets - Beginning - Restated 4,534,678
				Net Assets - Ending 4,744,255

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

JEFFERSON COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Basic/Low	Sixteenth Section Interest	Project CORE		
ASSETS						
Cash and cash equivalents	\$ 2,133,639		757,124		1,010,868	3,901,631
Investments					35,261	35,261
Due from other governments	121,406	34,154		51,531	154,037	361,128
Due from other funds	127,853		411		7,935	136,199
Inventories and prepaid items					21,278	21,278
Total Assets	\$ 2,382,898	34,154	757,535	51,531	1,229,379	4,455,497
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 94,743	1,617	425			96,785
Due to other funds	5,785	32,537	6,072	51,531	17,741	113,666
Deferred revenue					23,573	23,573
Total Liabilities	100,528	34,154	6,497	51,531	41,314	234,024
Fund Balances:						
Reserved for:						
Inventory					21,278	21,278
Forestry					61,223	61,223
Unemployment					36,981	36,981
Capital Project funds					63,490	63,490
Debt Service funds					181,797	181,797
Permanent funds					187,191	187,191
Undesignated, reported in:						
General Fund	2,282,370					2,282,370
Special Revenue Funds			751,038		618,619	1,369,657
Permanent Funds					17,486	17,486
Total Fund Balances	2,282,370	-	751,038	-	1,188,065	4,221,473
Total Liabilities and Fund Balances	\$ 2,382,898	34,154	757,535	51,531	1,229,379	4,455,497

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

JEFFERSON COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,221,473
Amounts reported for governmental activities in the statement of net assets are different because:	
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 \$3,611,376	3,278,069
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,717,809)
Governmental funds recognize interest on long-term debt when it due, however the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	<u>(37,478)</u>
Total Net Assets - Governmental Activities	\$ <u><u>4,744,255</u></u>

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

JEFFERSON COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Title I-A	Sixteenth	Project		
	Fund	Basic/Low	Section Interest	CORE		
Revenues:						
Local sources	\$ 1,905,068		5,938		137,482	2,048,488
State sources	6,961,488				683,711	7,645,199
Federal sources	153,422	782,131		233,256	1,643,579	2,812,388
Sixteenth section sources			145,216		14,260	159,476
Total Revenues	<u>9,019,978</u>	<u>782,131</u>	<u>151,154</u>	<u>233,256</u>	<u>2,479,032</u>	<u>12,665,551</u>
Expenditures:						
Instruction	4,818,622	313,522		233,256	1,531,292	6,896,692
Support services	3,556,551	368,521			664,161	4,589,233
Noninstructional services	1,612	100,088			592,961	694,661
Sixteenth section					32,903	32,903
Facilities acquisition and construction					13,583	13,583
Debt service:						
Principal					334,623	334,623
Interest					144,739	144,739
Other	1,105				605	1,710
Total Expenditures	<u>8,377,890</u>	<u>782,131</u>	<u>-</u>	<u>233,256</u>	<u>3,314,867</u>	<u>12,708,144</u>
Excess (Deficiency) of Revenues over Expenditures	<u>642,088</u>	<u>-</u>	<u>151,154</u>	<u>-</u>	<u>(835,835)</u>	<u>(42,593)</u>
Other Financing Sources (Uses):						
Operating transfers in					866,072	866,072
Operating transfers out	(866,072)					(866,072)
Other financing uses	(51,195)					(51,195)
Total Other Financing Sources (Uses)	<u>(917,267)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>866,072</u>	<u>(51,195)</u>
Net Change in Fund Balances	<u>(275,179)</u>	<u>-</u>	<u>151,154</u>	<u>-</u>	<u>30,237</u>	<u>(93,788)</u>
Fund Balances:						
July 1, 2006	2,534,034		599,884		1,161,143	4,295,061
Prior period adjustments	23,515				(7,422)	16,093
July 1, 2006, as restated	<u>2,557,549</u>	<u>-</u>	<u>599,884</u>	<u>-</u>	<u>1,153,721</u>	<u>4,311,154</u>
Increase (Decrease) in reserve for inventory					4,107	4,107
June 30, 2007	\$ <u>2,282,370</u>	<u>-</u>	<u>751,038</u>	<u>-</u>	<u>1,188,065</u>	<u>4,221,473</u>

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

JEFFERSON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (93,788)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$124,702 and the depreciation expense amounted to \$181,911.	(57,209)
Proceeds from the sale of assets are reported in the governmental funds as revenue, but only the gain or loss on the sale of assets is reported in the Statement of Activities.	(139)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	7,389
Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	334,623
Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	4,107
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	(11,545)
Other reconciling items (Sixteenth Section Receivable)	<u>26,139</u>
Change in Net Assets of Governmental Activities	\$ <u><u>209,577</u></u>

(***) Other adjustment(s) needed to reconcile the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

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

Jefferson County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2007

Exhibit E

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$	631,386
Due from other funds		<u>3,663</u>
Total Assets	\$	<u>635,049</u>
Liabilities		
Accounts payable and accrued liabilities	\$	575,962
Due to other funds		26,196
Due to student clubs		<u>32,891</u>
Total Liabilities	\$	<u>635,049</u>

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

Jefferson County School District

Notes to the Financial Statements
June 30, 2007

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(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 to which each member was elected by the citizens of each defined school district.

B. Basis of Presentation.

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

Government-wide Financial Statements

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

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

Fund Financial Statements:

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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

C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds 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 so 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/Low Fund - This fund accounts for the Title I federally-funded program offering remedial mathematics, language arts and reading instruction to eligible students under a school-wide structured program.

Sixteenth Section Interest Fund - This fund is used to account for the maintenance and improvement of sixteenth section lands.

Project CORE Fund - This federally-funded program, Early Reading First, accounts for instructor expenditures in dispensing with providing training to individuals with

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

disabilities and to their support system.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital Project 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 result of operations.

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

Jefferson County School District

Notes to Financial Statements For the Year Ended June 30, 2007

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

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

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113 Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the type described in Sections 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 of greater than three months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated inventories 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 cost of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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

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 assets accounts) and estimated useful lives of capital assets are reported in the

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following scale 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 amounts will correspond with the amounts for the asset classifications, as listed. See **Note 4** for details.

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund 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 to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

L. Equity Classifications.

Government-Wide Financial Statements:

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

1. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrows that are attributable to the acquisition, construction, 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 further split between 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.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

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.

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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

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

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

M. Property Taxes.

Ad valorem property taxes are levied by the governing authorities 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 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 and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(2) Cash and Cash Equivalents and Investments.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State

Jefferson County School District

Notes to Financial Statements For the Year Ended June 30, 2007

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.

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,901,631 and \$631,386, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$3,696,545 and restricted assets - \$240,347. The restricted assets of \$187,191 represent the cash balance 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. The remaining portion of the restricted assets of \$35,261 represent an investment held with Hancock Bank. The bank balance was \$5,139,221.

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, 2007, none of the district's bank balance of \$5,139,221 was exposed to custodial credit risk.

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

Investments.

As of June 30, 2007, the district had the following investments in Hancock Bank's Trust Department investment pool:

Investment Type	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Treasury Securities Money Market Fund	N/A	<u>\$35,261</u>	A

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

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, 2007, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Hancock Horizon Treasury Securities Money Market C1 A	<u>\$35,261</u>	100%

(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:		

Jefferson County School District

Notes to Financial Statements For the Year Ended June 30, 2007

General Fund	\$ 127,853	\$ 5,785
Title I-A Basic/Low	0	32,537
Sixteenth Section Interest	411	6,072
Project CORE	0	51,531
Other Governmental Funds	7,935	17,741
Fiduciary Funds	<u>3,663</u>	<u>26,196</u>
Total Funds	\$ 139,862	\$ 139,862

The purpose of the Due From/To other funds balances was to eliminate deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 0	\$ 866,072
Other Governmental Funds	<u>866,072</u>	<u>0</u>
Total Funds	\$ 866,072	\$ 866,072

The purpose of the transfers was to reimburse federal administrative costs, to move indirect cost to operating account, for construction uses, etc. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

	Balance 7-01-2006	Additions	Retirements	Balance 6-30-2007
<u>Non-depreciable capital assets:</u>				
Land	\$ 19,828			19,828
Total non-depreciable capital assets	<u>19,828</u>	<u>0</u>	<u>0</u>	<u>19,828</u>
<u>Depreciable capital assets:</u>				
Buildings	3,918,323			3,918,323
Building Improvements	720,330			720,330
Improvements other than buildings	161,986			161,986
Mobile equipment	1,045,699	124,702		1,170,401
Furniture and equipment	394,431		13,884	380,547
Leased property under capital leases	518,030			518,030
Total depreciable capital assets	<u>6,758,799</u>	<u>124,702</u>	<u>13,884</u>	<u>6,869,617</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,167,186	29,829		2,197,015
Building Improvements	57,626	28,813		86,439
Improvements other than buildings	57,713	3,993		61,706
Mobile equipment	647,945	62,463		710,408
Furniture and equipment	326,875	16,800	13,745	329,930
Leased property under capital leases	185,865	40,013		225,878

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

	Balance 7-01-2006	Additions	Retirements	Balance 6-30-2007
Total accumulated depreciation	3,443,210	181,911	13,745	3,611,376
Total depreciable capital assets, net	3,315,589	(57,209)	139	3,258,241
Governmental activities capital assets, net	\$ 3,335,417	(57,209)	139	3,278,069

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 62,991
Support Services	101,902
Non-instructional	17,018
Total depreciation expense	<u>\$181,911</u>

(5) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Principal Payments	Balance 6-30-2007	Amounts due within one year
A. General obligation bonds	\$ 230,000		50,000	180,000	55,000
B. Three mill notes payable	153,000		75,000	78,000	78,000
C. Limited obligation bonds	2,295,000		150,000	2,145,000	155,000
D. Obligations under capital leases	291,722		59,623	232,099	57,692
E. Compensated absences payable	71,165	11,545		82,710	4,136
Total	\$ 3,040,887	11,545	334,623	2,717,809	349,828

A. General Obligation Bonds.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Obligation Bonds, Series 1990	variable	02-01-90	02-01-10	<u>\$700,000</u>	<u>\$180,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
--------------------------------	------------------	-----------------	--------------

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

2008	\$	55,000	13,265	68,265
2009		60,000	9,250	69,250
2010		65,000	4,810	69,810
Total	\$	<u>180,000</u>	<u>27,325</u>	<u>207,325</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 0.37% of property assessments as of October 2006. This debt will be repaid out of the Debt Service Fund

B. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Notes, Series 1997	5.3%	08-19-97	08-19-07	<u>\$630,000</u>	<u>\$78,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ <u>78,000</u>	<u>4,134</u>	<u>82,134</u>

This debt will be retired from the Debt Service Fund.

C. Limited Obligation Bonds.

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:

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
State Aid Capital Improvement Bonds	variable	04-21-98	04-01-18	<u>\$3,060,000</u>	<u>\$2,145,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 155,000	101,228	256,228
2009	160,000	94,408	254,408
2010	170,000	87,208	257,208
2011	175,000	79,388	254,388
2012	185,000	71,338	256,338
2013-2018	<u>1,300,000</u>	<u>227,098</u>	<u>1,527,098</u>
Total	<u>\$ 2,145,000</u>	<u>660,668</u>	<u>2,805,668</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, Miss. Code Ann., (1972). This issue is not included in the computation of the debt limit percentage of outstanding bonded indebtedness. This debt will be retired from the MAEP Retirement Fund.

D. Obligations under capital leases.

Jefferson County School District has entered into two lease agreements that qualify as capital leases for accounting purposes. Title is held in the district's name during the lease period and upon payment of the lease obligation. Leased property under this lease is composed of lighting equipment. The various options available to the lessee for this lease are as follows:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.

This debt will be retired from the district maintenance fund.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 57,692	9,376	67,068
2009	60,265	6,803	67,068
2010	38,692	4,115	42,807

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

2011	15,588	2,957	18,545
2012	16,239	2,306	18,545
2013-2018	43,623	2,739	46,362
Total	\$ <u>232,099</u>	<u>28,296</u>	<u>260,395</u>

The 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.

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 employee's salaries were paid.

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2007 was 11.30% 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, 2007, 2006, and 2005 were \$786,792, \$701,541 and \$662,481, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending <u>June 30,</u>	<u>Amount</u>
2008	\$ 117,192
2009	87,745
2010	54,918
2011-2018	<u>8</u>
Total	<u>\$ 259,863</u>

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

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

(9) Prior period adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation(s)

Amount

Jefferson County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

School district's net correction of fund balances \$16,093

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

<u>Major Fund</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	See explanation above.	<u><u>\$16,093</u></u>

(10) Subsequent events.

Subsequent to June 30, 2007, Jefferson County School District incurred the following debt obligation:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>
Revenue shortfall note, Series 2007	6.03%	10-18-07	10-18-10	<u><u>\$407,000</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Exhibit I

General Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,445,300	2,447,170	1,905,068	1,870	(542,102)
State sources	6,434,839	6,966,737	6,961,488	531,898	(5,249)
Federal sources	144,011	181,312	153,422	37,301	(27,890)
Total Revenues	9,024,150	9,595,219	9,019,978	571,069	(575,241)
Expenditures:					
Instruction	4,706,935	4,973,489	4,818,622	266,554	(154,867)
Support services	3,540,768	3,629,663	3,556,551	88,895	(73,112)
Non-Instructional	350	1,643	1,612	1,293	(31)
Facilities acquisition and construction	8,500			(8,500)	-
Other	-	1,104	1,105	-	-
Total Expenditures	8,256,553	8,605,899	8,377,890	349,346	(228,009)
Excess (Deficiency) of Revenues Over Expenditures	767,597	989,320	642,088	221,723	(347,232)
Other Financing Sources (Uses):					
Insurance loss recoveries	3,015			(3,015)	-
Operating transfers in	1,207,802	787,365		(420,437)	(787,365)
Operating transfers out	(1,535,914)	(1,653,437)	(866,072)	(117,523)	787,365
Other financing uses		(51,110)	(51,195)	(51,110)	(85)
Total Other Financing Sources (Uses)	(325,097)	(917,182)	(917,267)	(592,085)	(85)
Net Change in Fund Balances	442,500	72,138	(275,179)	(370,362)	(347,317)
Fund Balances:					
July 1, 2006	2,534,033	2,534,033	2,534,034	-	1
Prior period adjustments (Note)	-	23,515	23,515	23,515	-
July 1, 2006, as restated	2,534,033	2,557,548	2,557,549	23,515	1
June 30, 2007	\$ 2,976,533	2,629,686	2,282,370	(346,847)	(347,316)

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/Low

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive (Negative)	
				Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 912,170	853,520	782,131	(58,650)	(71,389)
Total Revenues	912,170	853,520	782,131	(58,650)	(71,389)
Expenditures:					
Instruction	229,426	313,522	313,522	84,096	-
Support Services	284,823	368,541	368,521	83,718	(20)
Non-Instructional	86,881	100,088	100,088	13,207	-
Debt Service:					
Principal	317,254			-	-
Total Expenditures	918,384	782,151	782,131	(136,233)	(20)
Excess (Deficiency) of Revenues					
Over Expenditures	(6,214)	71,369	-	77,583	(71,369)
Net Change in Fund Balances					
	(6,214)	71,369	-	77,583	(71,369)
Fund Balances:					
July 1, 2006					
Prior period adjustments (Note)		(7,422)		(7,422)	7,422
July 1, 2006, as restated	-	(7,422)	-	(7,422)	7,422
June 30, 2007					
	\$ (6,214)	63,947	-	70,161	(63,947)

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, 2007

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Local Sources	\$ 2,880	6,000	5,938	3,120	(62)
Sixteenth section sources	528,078	145,215	145,216	(382,863)	1
Total Revenues	530,958	151,215	151,154	(379,743)	(61)
Excess (Deficiency) of Revenues Over Expenditures					
	530,958	151,215	151,154	(379,743)	(61)
Other Financing Sources (Uses):					
Operating transfers out	(500,000)	-	-	500,000	-
Total Other Financing Sources (Uses)	(500,000)	-	-	500,000	-
Net Change in Fund Balances					
	30,958	151,215	151,154	120,257	(61)
Fund Balances:					
July 1, 2006	573,746	573,746	599,884	-	26,138
Prior period adjustments (Note)				-	-
July 1, 2006, as restated	573,746	573,746	599,884	-	26,138
June 30, 2007	\$ 604,704	724,961	751,038	120,257	26,077

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

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Exhibit 4

Project CORE Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Federal sources	\$ 186,227	233,256	233,256	47,029	-
Total Revenues	186,227	233,256	233,256	47,029	-
Expenditures:					
Instruction	209,381	233,256	233,256	(23,875)	-
Total Expenditures	209,381	233,256	233,256	(23,875)	-
Excess (Deficiency) of Revenues Over Expenditures					
	(23,154)	-	-	23,154	-
Net Change in Fund Balances					
	(23,154)	-	-	23,154	-
Fund Balances:					
July 1, 2006	-	-	-	-	-
June 30, 2007	\$ (23,154)	-	-	23,154	-

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, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Jefferson County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Schedule 1

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$47,295
Child Nutrition Cluster:		
School Breakfast Program	10.553	219,240
National School Lunch Program	10.555	514,522
Total Child Nutrition cluster		<u>733,762</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>781,057</u>
<u>U. S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	53,656
Total U.S. Department of Defense		<u>53,656</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	21,628
Total Federal Communications Commission		<u>21,628</u>
<u>U. S. DEPARTMENT OF EDUCATION/</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	868,268
Vocational Education-Basic Grants to States	84.048	29,806
Safe and drug free schools and communities national program	84.184	33,370
Safe and Drug-Free Schools and Communities - State Grants	84.186	11,899
State Grants for Innovative Programs	84.298	2,731
Education Technology State Grants	84.318	16,348
Special Education - State Personnel Development	84.323	19,298
Transition to Teaching	84.350	320
Rural Education	84.358	72,616
Early Reading First	84.359	233,256
Improving Teacher Quality - State Grants	84.367	189,503
Grants for State Assessments and Related Activities	84.369	7,977
Total		<u>1,485,392</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	387,416
Special Education - Preschool Grants	84.173	15,845
Total Special Education Cluster		<u>403,261</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,888,653</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$2,744,994</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.

Schedule 2

JEFFERSON COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2007

Expenditures	Total	Instruction and Other			
		Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 9,474,635	6,843,010	630,702	570,767	1,430,156
Other	3,233,509	1,230,248	220,010	8,239	1,775,012
Total	\$ 12,708,144	8,073,258	850,712	579,006	3,205,168
Total number of students*	1,417				
Cost per student	\$ 8,968	5,697	600	409	2,262

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

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

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

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

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

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

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

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*

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, 2007, which collectively comprise Jefferson County School District's basic financial statements and have issued my report thereon dated March 26, 2008. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, I 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 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.

My consideration of the 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. I did not note any deficiencies in internal control over financial reporting that I 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, I performed tests of its compliance with certain provisions of

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

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*.

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
March 26, 2008

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

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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

AICPA & MSCPA

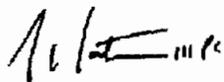
1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

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 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(s) such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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



J.E. Fortenberry, III, PC
March 26, 2008

Certified Public Accountant

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

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

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, 2007, which collectively comprise Jefferson County School District's basic financial statements and have issued my report thereon dated March 26, 2008. 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)(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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures 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 \$27,029.48 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 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

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
March 26, 2008

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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:
 - (1) Material weaknesses identified? No.
 - (2) Significant deficiencies 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. Significant deficiencies identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133?
No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
 - b. Title I Grants to Local Educational Agencies.
CFDA# 84.010
 - c. Special Education Cluster:
CFDA# 84.027
CFDA# 84.173

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

Section 2: Financial Statement Findings

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

